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EDITORIAL

As We See It

That remarkable aggregation of mystifying terminology and astronomical figures commonly known as the "National Accounts" has now been issued by the Department of Commerce covering the year 1956. Estimates or guesses long current about most of the more important statistics contained therein make it unlikely that any great surprises will be found in the final figures, and such indeed proves to be the case this year. The fact that many of the concepts employed in this gigantic statistical product seem to the uninitiated to be rather aside from day-to-day affairs is in part at least responsible for the circumstance that important truth lies buried in these masses of tables, and never comes fully to the attention of the rank and file.

The yearly appearance of this document should, among other things, each year bring a fresh reminder to the people of certain drastic (we had almost said, tragic) changes that have come over the face of things in this country. The tremendous growth in the economy and the very large increase in prices have so enlarged the current figures that comparisons with a year so long ago as 1929 do not so readily yield truths which otherwise should be quite evident. Such difficulties can without great trouble be overcome, however, and the results are well worth the effort.

A surprising number of people appear to be familiar at least with the name of the quantity usually referred to as GNP, or Gross National Product, which may be defined as the total output of the people of the country at market prices. The continued and in fact rapid rise in the size of this figure is frequently a cause of self-gratula-

Continued on page 32

"The Fundamental Issue"

By GENERAL DOUGLAS MacARTHUR*

Chairman of the Board, Sperry Rand Corporation

General MacArthur recalls part of President Eisenhower's and the late Senator Taft's joint manifesto regarding the fundamental issue of liberty *versus* creeping socialization by increasing government power and spending. Believes we are at the threshold of the "age of plenty" and dismisses fears expressed about automation's impact upon employment. Warns that the prophecies of Marx and Lenin, predicting the end of the American economy would come about *via* currency debauchment, fiscal bankruptcy, excessive taxation, and inflation, are in danger of fulfillment unless we practice economy as a virtue and treat public debt as the greatest danger to be feared. Cites Keynes' remark just before his death that he must warn the British people about the dangers of inflation.

The world is entering an age of evolution greater than it has ever before known. Never in the 2-billion-year history of human life, in the 5 billion years in which the earth has spun through the black vacuum of space from the sun, has man's faculty for learning assumed such immense new scope and power. We are acquiring an ever greater degree of control and mastery over the processes of nature. We are now exploiting, not only scientifically but practically, the cosmic energy. We are graduating from earthly to universal dimensions. This evolution has happened so quietly and naturally—without ceremony or undue emphasis, without great debate or acid controversy—that we hardly know the exact instant that the change occurred. The tick of the clock sometimes sounds so softly we do not hear it; yet we now know the hour has struck. Vast panoramas will unfold before us, wave following wave,

Douglas MacArthur

Continued on page 37

*From a talk by General MacArthur at the Annual Stockholders Meeting of the Sperry Rand Corp., New York City, July 30, 1957.

Quarterly Investment Company Survey

Funds' Portfolio Policies More Aggressive

"Chronicle's" analysis of investment companies' portfolio operations during second quarter reveals moderately stepped-up purchasing of common stocks along with maintenance of somewhat reduced although still substantial holdings of senior securities. Great divergence of individual management policies noted. Industries favored include farm equipment, autos, banks, drugs, finance companies, food, insurance, machinery, paper, radio-TV, retail trade, steels, tires, and utilities. Liquidation hits airlines and natural gas. Mixed attitude includes aircrafts, building, chemicals, electronics, metals, oils, rails, and tobaccos.

Tables appearing on pages 21 and 23 show Funds' comparative investment positions; total common stock and other securities transactions; and individual common stock transactions by industry groups.

During the second quarter, April 1 to June 30, between which dates the Dow-Jones Average of Industrial Common Stocks rose from 475 to 503, with an intervening high of 513; and Moody's Average of Corporate Bonds registered a further 5.9% decline, and the Index of Preferreds Stock prices fell 7.2%, investment company managements again somewhat lessened their defensive policies. As revealed in our Table of Security Transactions, during April-June 1957, 67.8% of all new buying of portfolio securities went into common stocks, against 63.3% during the March quarter. Despite the lure of higher yields on senior securities, the dollar purchases thereof, although still substantial, declined by 14% from the March quarter, and their excess over sales decreased by 31.9%. In the latest quarter they represented 32.2% of all buying transactions, compared with 36.7% during the March quarter. Dollar holdings of net cash and governments increased by only 3.5% (after capital gains distributions).

Our Table showing the Average Allocation of Assets to Cash Items, Defensive, and Risk Securities, shows further that the June quarter's decline in defensive se-

Continued on page 20

PICTURES IN THIS ISSUE: Candid photos taken at the Annual Outing of the Municipal Bond Women's Club of New York appear on Page 18.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Miles Laboratories — Merton S. Allen, of Harris, Upham & Co., New York City. (Page 2)

Foster Wheeler Corp.—Lawrence S. Vlaun, Investment Analyst, Auchincloss, Parker & Redpath, New York City. (Page 2)

MERTON S. ALLEN
Harris, Upham & Co., New York City
Members New York Stock Exchange

Miles Laboratories

Last Aug. 23, this writer had the pleasure and privilege of having an article appear in the "Commercial & Financial Chronicle," under the famous column headed "The Security I Like Best" and at that time chose Getty Oil. Shortly after writing the article, Getty paid a 5% stock dividend, and later a $2\frac{1}{2}$ for one stock dividend was effected giving the owner $262\frac{1}{2}$ shares for his hundred. Thus, in less than one year, the buyer of Getty at the time it was recommended was able to double his investment. It would be an understatement to say that I would be pleased no end to see the same results achieved by the purchasers of the issue to be discussed here, Miles Laboratories Inc. I sincerely believe that this possibility exists.

Merton S. Allen

Miles Laboratories is a company that was formed in 1884 and has celebrated its 73rd birthday. As a matter of fact Miles is the proud payer of more consecutive dividend payments than this writer has ever witnessed. Dividends have been paid each and every month since 1894. No better illustration could be made of the stability of Miles Laboratories.

The reader will probably recall Miles as the manufacturer of Alka-Seltzer, Bactine, One-A-Day Vitamins, Tabcin, Miles Nervine, and other drug and pharmaceutical products.

Despite its rather enviable record the management of Miles was aware of the fact that the company was not realizing its fullest potential. To rectify this situation the fine management, engineering and consulting firm of Booz, Allen and Hamilton was called in. Some of the beneficial effects of this move are already apparent and it would not be presumptuous to assume more will follow.

The important Miles domestic subsidiaries are the Ames Co., Bischoff Chemical Corp., Sumner Chemical Co. and Takamine Laboratory. Miles is also well entrenched abroad with foreign subsidiaries in Argentina, Brazil, Canada, Colombia, England and Mexico. Foreign sales are expanding at a very rapid rate. Last month, Miles issued a release indicating net foreign sales for the first six months of 1957 were up 44%. These sales are not consolidated with domestic figures.

The Ames Division of Miles is noted for such items as Acetest, Bumintest, Clinitest and Hematest. These products involve various usages of urine analyses, i.e., for the detection of diabetes, etc. Ames, combined with Bischoff, also produces Aminet, a suppository for asthma suffers; Diatussin, a cough mixture; My-B-Den, an injective for varicose veins and bursitis; Nostyn, a superior form of tranquilizer; and many other products.

The Sumner Division is the producer of fine chemicals such as isoascorbic acid and sodium isoascorbate anti-oxidants for the food industry. Two other anti-oxidants, Luconox-9 and -4, are finding a place in the manufacture of synthetic rubber products.

The newest division of Miles, recently visited by the writer, is the Takamine Laboratory. This company was formed in 1898 by Dr. Jokiche Takamine, the discoverer of adrenalin. This company is one of the largest organizations in the world devoted exclusively to working in the enzyme field. This field shows unlimited potential for growth in the chemical and pharmaceutical industries. The writer was very impressed by work going on at Takamine with enzymes for use in new processes and areas of manufacture. At the time of the visit, work was in progress to double the research and some of the manufacturing facilities.

Miles Laboratories seems to be very progressive and research minded. In addition to its domestic research expansion program, the company has research grants and fellowships in Puerto Rico, Germany, Japan, Sweden, Hawaii and Scotland. A full time Research Medical Director has joined the company in the United Kingdom.

In the five-year period from 1947 through 1951, Miles applied for 11 U. S. patents. In the following five years, Miles applied for 86 patents. This, I believe, adequately illustrates the intensified research program.

The board of directors of the company consists of a fine group of capable men whose average age is 53, excluding the President, Walter R. Beardsly. Dr. M. H. Seever, Ph.D., M.D., University of Michigan, was recently appointed director to the board of Miles, filling the vacancy caused by the death of Dr. David Beardsly. Dr. Seevers was Past President of the American Society of Pharmacology and Experimental Therapeutics.

Miles Laboratory seems to compare quite favorably with its competition in the patent and ethical drug field. (See Table)

It can readily be seen that Miles Laboratory is relatively attractive as an investment in comparison to the other companies. Most of this, of course, is due to the fact that Miles is an unlisted security and has not as yet had too active a market following. However, its enviable dividend record should largely compensate for this situation.

The management of Miles seems bent on a selective diversification, acquisition and expansion program. This is being done aggressively but with prudence and intelligence. The insiders are large stockholders and thus have much at stake. Management has demonstrated a positive and modern stockholder relations attitude. Management seems to want a wider distribution of stockholders and indicates a desire to keep them more than satisfied. There was a 10% increase in the number of stockholders owning Miles this past year.

There has been some recent institutional interest developing in the company. Pioneer Fund added 10,000 shares of Miles Laboratories to its portfolio, around the present price, in the quarter ending June 30. The Pioneer Fund has indicated an unusual ability in the past to find securities that could be classified as "sleepers" with unique capital gains potentials.

Miles' sales have been moving forward steadily for at least the past ten years; each year has shown an improvement over the prior year. For the first six months of 1957, sales were up 5%. Net per share rose to \$1.09 from 97 cents, a gain of 13% for the same period.

In view of the foregoing it seems to the writer that the common stock of Miles Laboratories, around its present price of \$25 per share in the Over-the-Counter Market and paying monthly dividends yielding about 4% per year, offers excellent capital gains potential as well as almost unequaled stability.

	Miles Lab.	Norwich	Plough	Sterling	Bristol-Myers
Debt	\$2,380,000	\$1,960,000	\$3,400,000	\$25,290,000	\$11,460,000
No. preferred shares	24,000	None	None	None	51,060
No. common shares	†1,207,000	1,883,000	*1,140,000	7,900,000	1,520,000
Sales in millions '56	\$42,440,000	\$29,510,000	\$24,470,000	\$177,700,000	\$89,400,000
Per share price	\$25	\$35	\$18	\$33	\$58
Per share earnings '56	\$2.03	\$1.80	\$1.05	\$2.14	\$3.55
Per share dividends '56	1.04	.90	.45	1.35	1.75
Price-times earnings	12.4x	19x	17x	15x	16x
Dividend yield	4%	2.6%	2.5%	4.1%	3%
Dividends since	1894	1925	1931	1902	1900

*15% closely held. †Approximately 50% closely held.

LAWRENCE S. VLAUN
Investment Analyst,
Auchincloss, Parker & Redpath,
New York City
Members New York Stock Exchange
And Other Exchanges

Foster Wheeler Corporation

The speculative interest recently shown in the shares of Foster Wheeler appears fully justified. Overall, the present picture for Foster Wheeler is a very happy one. The company is enjoying the largest backlog in many years, in both the shops and the engineering and construction departments. Undoubtedly, 1957 will be a good year from an earnings standpoint. Prospects for new business are equally good. I do not wish to get too far out on a limb, but unless all signs fail, 1958 should also be a banner year because Foster Wheeler is working on enough prospects at the moment to give a reasonable basis for that prediction.

Lawrence S. Vlaun

Currently, Foster Wheeler's volume can be roughly divided into two major categories; 50% from the Process Plants Division and 50% from the Equipment Division. The former designs and constructs plants for refineries and chemical companies, while the latter sells services and products which are in demand by central station power companies, shipbuilders, industrial concerns and government agencies. Products include industrial steam generators, condensers and feed water heating equipment, marine steam generating equipment, cooling

Continued on page 47

Credit and Interest Rates In the Investment Boom

By ROY L. REIERSON
Vice-President and Economist
Bankers Trust Company, New York

Noted bank official and economist expiscates the ramifications of our full-fledged investment boom and present interest rate pattern which, unlike past two postwar business upturns, is not based on capacity industrial production. Mr. Reierson is skeptical of our prospects in halting the wage-cost price-inflationary spiral we are having, deplores the mounting anti-tight credit pressures which prevent market forces from aligning investment demand with savings, and castigates our anachronic depression-day aims and policies instead of fitting "economic decisions to the realities of our times." Foresees no rapid economic decline, tighter credit or higher interest rates, no Treasury crisis nor long-term financing in the coming months, and warns that additional demands for Federal spending will cause the Treasury to resort to bank credit and, in turn, induce expansion of member bank reserve credit and, thus, lead to further monetary inflationary pressures.

Repeatedly in the past two years credit and investment markets have felt the pressure of large demands for funds bidding for a limited supply, and repeatedly interest rates have surged upward. Recently the capital markets have experienced another particularly strong borrowing wave, and many short-term rates, as well as bond yields, have advanced another notch.

Roy L. Reierson

Contributing to the uncertainties in the market place is the growing awareness of the Treasury's problems in managing the debt. Redemptions of savings bonds have soared, Treasury refunding offerings of marketable securities have not been well received, and the Treasury's cash position has deteriorated rapidly since the start of the year.

All this is but another reflection of the fundamental predicament created by the investment boom — huge financing requirements pressing upon an inadequate volume of savings. Moreover, it appears that these difficulties are by no means transitory but are an inevitable concomitant of a persistently inflationary environment. Thus, unless the inflationary trend subsides, some of the problems that have come to the fore in recent months may continue troublesome for years ahead.

Origin of the Credit Squeeze

Viewed in broad perspective, it is evident that liquidity in our economy has been declining, credit has been tightening, and interest rates have been in a rising trend ever since the end of World War II. This should not be surprising, since interest rates at that time were still unusually low, reflecting their decline to altogether subnormal levels during the Great Depression and the subsequent freezing of rates at these levels to finance the war. These artificially low levels had been maintained only through a tremendous increase in the money supply and the creation of a powerful inflationary potential.

Moreover, the irregular but persistent advance in interest rates to the present time has coincided, naturally enough, with a decade and more of high and vigorous capital investment activity; most of the rate rise occurred in the three postwar periods of rapid business expansion: 1947-48, 1952-53, and 1955-57. This response of interest rates to economic conditions is to be expected; throughout our modern financial history, rates have tended to move in line with the broad sweep of business conditions.

Upon closer review, however, it appears that the present rate rise differs from the advances recorded in the previous two postwar business upturns. Currently, interest rates have firmed even though industrial production has been fairly level since the summer of 1956 and, indeed, has recently backed away somewhat from its year-end high. It is difficult to avoid the conclusion that present developments in the capital markets are not simply a reflection of the business cycle; rather, they seem to mirror problems which are deeply rooted in the structure of our economy.

Large Capital Requirements

Underlying the continuing rise of interest rates in the past three years is a sustained shortage of new savings. The American economy is clearly in a full-fledged investment boom. Moreover, not only have financial requirements been enhanced relentlessly by spiraling wages, costs and prices, but the cost of capital goods, such as building, construction and machinery—all large users of investment capital—has risen much more rapidly than prices in general. The supply of savings to meet these needs, however, has grown only slowly and sluggishly, so that demands for capital have

Continued on page 28

INDEX

Articles and News Page

Regular Features

*See Cover Page for "Chronicle's" analysis of investment company operations in Second Quarter.

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Observations . . .

By A. WILFRED MAY

FROM A FRESHMAN AT BEAVER COLLEGE (For Women)

DEAR MR. MAY:

Your column in the issue of July 11 is most interesting, and pointed (at me, I'm afraid). For the most part I am in agreement with you, especially about the cause for the rise in the market.

A. Wilfred May

But I don't feel that no one should buy speculative stocks. Have I misinterpreted this point in your argument? I feel that one's portfolio should be well diversified, including many kinds of stocks, some of which can be speculative. However, the ratio of speculative stocks, to, as you put it, "safe" stocks, such as ATT, etc., should be in a lesser proportion.

For example, in my own case, I now hold five shares of U. S. Steel, one share of ATT, and one share of Celanese (and some Government bonds). I recently purchased ten shares of Monmouth Race Track, a purely speculative stock. My reasons for doing so are as follows:

I have watched the newspaper daily as to the number of people present at the track. The amount of people and money bet far exceed not only last year's record; but also the attendance and intake at the New York track, which runs simultaneously with Monmouth Park. This is something that has never happened before. I feel that as soon as their statement is released, the stock should either go up or the track will pay a handsome bonus.

Have I made a foolish choice?

JILL CURTIS
Class of 1959
Beaver College,
Germantown, Pa.

Realistic Valuation versus Definitions

In pointing out some of the speculative excesses and atmosphere of the bull market, I did not mean to convey the impression of advocating the shunning of "speculative" stocks. In fact, the main distortion of today's market may actually be in the overvaluation in the Blue Chip, or non-"speculative" area; with such issues—as in 1929—ignoring quantitative criteria of value, being deemed to be "safe at any price."

It is our deep conviction that a good value, based on the realistic appraisal factors in each situation, should be bought at *any* time; and that the term "speculative" as so applied is extraneous. Your race track issue might actually be less speculative than your ATT under a given price differential. In any event, the dog of today may be the pale or deep Blue Chip of tomorrow; or vice versa.

In line with this credo, you are distinctly on the right track in your attitude in your buying into the proprietorship of the Monmouth Race Track (in contrast to that of the "customers"). At the same time, I would caution you not to overemphasize the volume of business as a value factor, to the neglect of earnings coming through, and of possible property and other asset valuation. Remember that the railroad passenger carriers and the meat packers, bad investments, have always enjoyed heavy volume.

Hats off to the diversification your portfolio has achieved; ranging from fixed-interest governments (parenthetically included by you) to equity in the ponies traffic.

A. W. M.

* * * * *

FROM ANOTHER "LADY IN FINANCE"

DEAR MR. MAY:

Referring to your article in the "Chronicle," Thursday, July 25, "How High Is Too High?" you very correctly point out the difficulties of knowing just when the dangerous market elements will become effective. I would very much like to know if the action of Bonds is any kind of signal. Does the recent weakness in Bonds constitute an indication that stock prices will soon begin to drop? And if so, will that result in people then buying more Bonds, causing a major recovery in the Bond market.

JOSEPHINE COUTURE
39 Broadway,
New York City

When Is "The" When?

The acute decline in the bond market, with Governments and tax-exempts included in the dog-house; along with high-grade stocks yielding less than first-quality fixed interest obligations, certainly constitutes a major indication of stock market vulnerability. But, the long course of the decline in the spread between stock and bond yields perfectly substantiates our conclusion as to the impossibility of gauging the *time* of a signal's becoming effective. The stock-bond yield ratio (that is, the average yield of Standard & Poor's 50 Industrial Stocks related to that on its High Grade Industrial Bond Index) which, in 1950 after years of stability, stood at a normal 2.8%, thereafter entered and extended period of steady and drastic decline, as follows:

Stock vs. Bond Yields

January 1952	2.8%
June 1953	1.8
Average 1954	1.8
Average 1955	1.3
Average 1956	*1.2
1957—	
January 1	1.1%
February	1.2
March	1.2
April	1.17
May	1.10
June	0.99
July	0.94

*Below the minimum of the 1929 stock boom-crash period.

Surely this ratio at *any* time after 1954, and particularly in late 1955 when it fell below the 1929 stock-craze period, could have been regarded as an important danger signal.

So who can tell whether even the present record below-parity ratio figure presages an early stock market break?

And does the sizable disparity between the yields (of 6½% or so) still available on the run-of-the-mill stocks, and the meager 3.71% on the 50 selected industrials, perhaps indicate that only a special area of the market is now over-valued? Is the preponderant non-Blue Chip section still healthy and its reversal a way off?

The constructive affirmative solution to these questions lies in market policy concentrated on diversifying between fixed-interest and equity securities, and then appraising individual stocks on their realistic value factors — in lieu of worrying about turning-point signals.

Answering your final query: a major stock drop assuredly will by itself stimulate bond buying; reversing the investor's long shift from shrinking and discouraging bond portfolios to the glamorously appreciating stock sector.

A. W. M.

Lewis to Be Partner Of E. F. Hutton & Co.

Ronello B. Lewis will become a general partner of E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, it was announced yesterday by Ruloff E. Cutten, senior partner of the nationwide stock brokerage firm. Since 1953 Mr. Lewis has been Vice-President and Comptroller of Olin Mathieson Chemical Corporation, and prior to that for a four-year period served as Comptroller of the Radio Corporation of America. Earlier he was associated with Butler Brothers and Montgomery Ward & Co.

Ronello B. Lewis

He is a writer and lecturer on financial subjects and his current book, "Accounting Reports for Management," has just been released.

At the same time, Mr. Cutten announced that Charles E. Crary, son of the late Allan H. Crary who was a partner in E. F. Hutton & Co. for 23 years, will also be admitted to the firm on Aug. 1 as a general partner with headquarters in the Tucson, Arizona, branch.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The picture for business and industry in the latest week appeared a bit brighter with steel, electric and automotive output showing signs of improvement. Retail trade volume showed some expansion with reports placing sales at 1% below to 3% above the like 1956 week.

According to the Council of Economic Advisors, the gross national product in the second quarter of 1957 advanced to another new high and exceeded that of the preceding quarter by 1%. Increases in inventory buying were mainly responsible for the rise and offset declines in residential building and purchases of capital goods.

Personal income moved up fractionally in June to an annual rate of $344,000,000,000 and was 5% higher than the June 1956 period. The Office of Business Economics pointed out that the major part of the increase was brought about by wage and salary disbursements. Awards for highway construction, it is noted, also rose sharply the past week, touching the highest weekly volume on record, according to "Engineering News Record." This offset declines in private construction, boosting the total dollar volume of heavy construction awards 2% over that of the preceding week. The cumulative total of construction contracts for the first 30 weeks of 1957 was 16% less than the corresponding period last year. Construction activity in many areas was again curtailed the past week by the cement workers strike.

Steel people will come out fighting when they appear before congressional price probers beginning next week, and will have plenty of ammunition handy to defend their pricing policies over the years, states "The Iron Age," national metalworking weekly, the current week.

This trade weekly reports that the mills will show that their earnings over the years are pretty much in line with those of other industries and less than many big industrial groups.

The mills, it adds, will defend their right to use part of their earnings to finance expansion by pointing out that from 1947 to 1956 the steel industry spent $8,000,000,000 on new or better facilities, increasing steelmaking capacity by 46%. About $3,900,000,000 of this came from earnings, while long-term debt was increased by $800,000,000. The balance of the $8,000,000,000 came from stock sales and from cash generated through fast amortization.

"The Iron Age" says the Senate price probers will get a full rundown on steel's future need for cash. The steel companies will point out that fast tax privileges are running out, that depreciation allowances are too low to meet the expense of maintaining existing plants and that the industry is reaching a point where it must build new integrated mills.

Meanwhile, continues this trade paper, it looks as though the steel market has finally turned the corner for the better. Incoming orders are picking up. This includes some automotive business, although Detroit has not as yet jumped in with both feet. The overall order picture so far is not overwhelming, but the trend is there.

As the market outlook improves, steel users are taking a closer look at their inventories. Many steel customers are keeping in close touch with steel salesmen as a hedge against being caught short. Some of the automotive business is to plug holes on inventory shortage items.

The mills themselves are more optimistic. One large producer looks for third quarter at 93 to 95% of capacity and possible full capacity operations during fourth quarter.

When automotive demand catches fire, it will tighten the market in sheets, principally. But other items that to date have been slow also will pick up.

Steel prices in Great Britain went up an average of 7% on July 29, according to the metalworking weekly. This is nearly double the percentage rise in American steel prices. Producers said the higher prices were needed to cover increased material

Continued on page 34

The Bull Dog

By IRA U. COBLEIGH

Enterprise Economist

A current consideration of a famous manufacturer of heavy duty trucks, Mack Trucks, Inc., is offered in light of its past and its prospects.

Ira U. Cobleigh

Passenger automobiles have changed their designs and lines so drastically through the years, that in many cases, it is difficult today to distinguish 1957 models by make. A Stutz Bear Cat, or a 1916 Packard could, in its day, be positively identified at 100 yards by any school boy; but not so the cars of this year's manufacture. Equally among trucks, too, a lot of identity has been lost by studious streamlining, and tear drop simulation. Out of all this progressive welter of drawing board Dali-ism in automotive design, one emblem in the truck field stands out, however, as clearly today as it did years ago—the Mack Bull Dog. It's a good symbol, too, because Macks, the Tiffany among heavy duty trucks, have consistently road-demonstrated those qualities of strength, durability, dependability, and tenacity, characteristic of bull dogs. And, with this plausible canine reference, we move on to some description of the company that makes and services these renowned and respected Macks.

Mack Trucks, Inc. is the largest independent manufacturer of heavy duty trucks, having produced in 1956, 18,738 units. These included both gas and diesel motivation, and four and six wheel drives. In point of size, they ranged all the way from eight, to sixty-eight, tons in gross vehicle weight. While the automotive big three do, among them, the lion's share of the truck business (above 94%), heavy duty haulers, specially and functionally designed for certain industries (such as building materials and ready mixed concrete) have been the particular province of the independents. Moreover, in many of these industrial uses, overloading is chronic; and a truck that can't continue to perform effectively when toting far more than its rated load, just doesn't get bought. Well, Macks can take this overloading stint, with as little down time and as low maintenance cost as any units in the business. Such a reputation is an obvious sales asset. And Macks have certainly been selling.

For 1956, Mack sales were $254 million, the best year in company history and $60 million over 1955. Not only that, but net earnings for 1956 soared $4¼ million over the preceding year to a whacking $12 million. The first quarter sales for 1957 were $68 million — another new high. So here we're not talking about a tired company just managing to hold its own—we're talking about a company in, perhaps, the most dynamic phase of its history. Part of this drive is due importantly to new management in the person of Peter O. Peterson, who became President in February 1955 (1954 sales had been only $120 million). Not only has this new executive echelon more than doubled the annual sales, but it has streamlined and integrated manufacturing operations; and diversified by acquiring, in the Autumn of 1956, the C. D. Beck Company, manufacturers of inter-city buses; and the truck division of Brockway Motors. So now whether the need is for giant trucks to haul aggregates for the Federal roadbuilding program; trucks for highway merchandise transport, or the latest style intercity bus, Mack can deliver them.

New truck sales are not the whole story, however. Parts and service are important, too, and in 1956, accounted for 16½% of gross; and this highly profitable section of operation is constantly growing as more units are placed on the road.

There are 11,500 employees, a main plant at Allentown, Pa.; engine plant, laboratory, warehouse and an electronic division at Plainfield, N. J.; the Beck bus division at Sidney, Ohio, and the Brockway plant (under a long-term lease) at Cortland, N. Y. Mack is a highly integrated manufacturer and has always built itself (and not just assembled) the vital components of its trucks.

The sale of trucks these days, like everything else on wheels (or for that matter, off!) is preponderantly a credit operation. For example, in the case of Mack the balance sheet of March 31, 1957 showed current assets of $240 million of which $78 million was in inventory and $149 million in receivables. To finance, in part, the latter, there was (also at March 31, 1957) a revolving bank credit of $95,385,000, which was the main item in the $160 million of current liabilities. It might be expected that part of this loan would, in due course, be converted into long-term debt, which at the moment consists only of $19,109,000 of 5½% debentures due 1968.

These debentures deserve a special note. When they were issued last August, each $1,000 bond carried warrants for the purchase of 10 shares of common at $40 per share. Since then, however, the common was split 4 for 3 and each warrant now permits for the purchase of 1⅓ shares of common at the same price ($40) until Sept. 1, 1959; and at rising prices thereafter. Warrants detached from the bonds now sell on the American Stock Exchange at $13 and are interesting speculation in themselves. The 5½s (ex warrants) sell at 85. All of which leads us up to the common stock.

Now Mack common historically has been an erratic performer. The truck business is both competitive and cyclical, and Mack showed losses in 1946 and 1949, and has been irregular in cash distributions. There have been, however, quite a few stock dividends—a 2-for-1 split in 1948, 5% in stock in 1954, 10% in 1955 and 5% in 1956. Thus Mack common makes little appeal to the income-minded investor, and consideration of this equity must be based on a speculative viewpoint. After a number of years with wide variations in sales, and spotty earnings and dividends, Mack now emerges with a hard-hitting management, amazing new vigor, aggressive sales, and a new plateau of profitability — $4.75 per share in 1956. All of which carried the stock to a 1957 high of 32¾ and set the stage for what looks like a $1.80 dividend basis.

Now, on a current appraisal, the stock of a major company like Mack does not seem over-priced at seven times earnings, and were you to project the rise of sales and earnings at the current growth rate, for the next two years, you could certainly become a bull on Mack.

To sustain or justify optimism of that eager sort, however, a look at the industry Mack serves might not be amiss. There are 10 million trucks on the road right now and they represent 17% of all registered vehicles. They do 19% of the intercity freight business. Common carrier trucking companies now gross over $6 billion annually (against $9 billion for the railroads.) This percentage of business done by trucks is definitely on the increase due to (1) more efficient units, specially designed equipment such as refrigeration trailers; and LPG tankers; (2) the super highway program which will cut down intercity running time and eliminate delays due to traffic jams and (3) the moving of a myriad businesses to the suburbs, removing the lags due to downtown city congestion. So whether we look at the construction and roal building industry itself, or the outlook for trucks and buses on improved highways and thruways, the long run industry projection is definitely favorable—and favorable to a quality producer such as Mack. Through 56 sales and service offices in U. S. and Canada, 280 domestic and 55 foreign, distributors, Mack is well equipped for enlarged merchandising.

In any event Mack today offers financial fare for all sorts of security buyers. You can buy the 5½% debentures (ex warrants) at 85 with a current yield of about 6½%; you can make a calculated risk speculation in the common at 30 (a 5.6% yield if the 45c quarterly dividend is maintained); or you can just plain speculate in the warrants at 13. This is an interesting situation. You may either be attracted to it; or perhaps decide to have no truck with it.

Tax and Other Advantages in Contractual Investment Plans

By NORMAN F. DACEY

Norman F. Dacey and Associates, Connecticut

Tax and other advantages found in contractual investment plans, not generally offered in voluntary plans, are discussed by Connecticut financial consultant. Points out, for example, that life insurance premiums are tax deductible in contractual plans since they are regarded as part of the gross investment in the plan.

Norman F. Dacey

The astonishing growth in popularity of periodic investment plans is a phenomenon of the decade. The Stock Exchange Monthly Investment Plan and the voluntary plans offered by most mutual funds all report monthly figures which reveal a steady climb in the number of such planned investment programs.

The so-called contractual plans, which differ from the voluntary plans in that a large part of the acquisition cost or "sales load" is concentrated in the first year of the program, have shared in this growing public enthusiasm for periodic investment on a scheduled basis. They present a number of advantages not generally offered by the voluntary plans. Most permit withdrawals and re-deposits at a nominal fee and without a re-acquisition charge. They provide for the naming of a beneficiary to receive the plan at death, thus avoiding the delay, expense and publicity of probating. Tax-wise, they generally elect to be taxed as an association. In effect, the acquisition charges and continuing maintenance fees paid by the participants are considered to be part of the cost of building the "association" and a substantial portion of these charges is deductible from the income of the "association," thus making part of that income tax-free. These advantages are pretty generally known and appreciated. There is a unique additional tax advantage, however, which is not generally realized.

Most of the contractual plans include a life insurance provision under which the plan is automatically completed in the event of the death of the investor during the ten-year accumulation period. This is accomplished by carrying a low-cost, deducing-term group creditors policy which covers the unpaid balance. Each month, the custodian bank insures the investor for just enough to complete his account, deducting the cost of the insurance from his current monthly investment.

Tax Deductible Life Insurance Premiums

Life insurance premiums are not a legally deductible expense for tax purposes. However, in the case of the contractual investment plan, the insurance premiums are not considered as such, but instead are regarded as part of the gross investment in the plan. To illustrate: On one such plan begun ten years ago, and into which payments of $200 monthly have been made, the investor has enjoyed life insurance protection on his unpaid balance, ranging from $23,800 the first month, down to $200 the last month. Over the ten-year period, a total of $857.40 has been deducted for insurance protection. If the plan were liquidated now, its value would be about $38,000. Part of this increase represents the reinvestment of dividends on which the investor had paid a tax each year during the accumulation period. He is now liable for a tax on the difference between the $24,000 he deposited and the $38,000 he is now withdrawing from the plan, less whatever dividends he had reported and paid a tax on over the years.

Actually, he invested only $23,142.60 in the underlying mutual fund shares; the other $857.40 constituted insurance premiums which he paid. But he doesn't pay a tax on the difference between his *net* investment of $23,142.60 (adjusted for dividends) and the $38,000 liquidating value. The tax is on the difference between his *gross* investment of $24,000 (adjusted for dividends) and the $38,000 liquidating value. Thus, because of the peculiar nature of the contractual investment plan, with its separate registration as a security in and of itself, separate and apart from the underlying mutual fund shares, the investor is enabled to deduct the insurance premiums from his long-term capital gain on the plan.

Curiously, this tax advantage does not apply to so-called voluntary plans in which the "security" being purchased is not the "plan" itself but the underlying mutual fund shares. In computing his long-term capital gains tax liability under a voluntary plan with a life insurance provision, the investor must pay on the difference between the net amount actually invested in the mutual fund shares and the liquidating value. He cannot deduct the cost of the insurance in computing his taxable gains.

With J. A. White Company

CINCINNATI, Ohio—Andrew C. O'Leary is now with J. A. White & Co., Union Central Building.

Sills Adds to Staff

MIAMI, Fla.—Frank H. George has been added to the staff of Sills and Company, Ingraham Building.

Tracing the Regulatory Pattern Of the Federal Securities Laws

By THOMAS G. MEEKER*
General Counsel, Securities and Exchange Commission, Washington, D. C.

After summarizing the highlights of the six acts administered by the SEC, Mr. Meeker attributes a great deal of the peoples' restored confidence in the capital market to their faith in vigorous law enforcement, and credits this, in turn, for significantly bringing about our present prosperous economic health. Legal and practical problems which arise from day to day are cited by the SEC's top lawyer who contends that "the need for a vigorous enforcement program to combat fraudulent securities sales is more important today than it ever has been." Some of the items discussed are: avoidance of disclosure requirements by transfer of securities through anonymous, numbered accounts of foreign banks and trusts; what constitutes a security; improper use of inside information; regulating proxy procedures, trust indentures, investment adviser and investment companies; and public utility corporate and financial reorganization.

In answer to the question: "Why is there any necessity for regulation by the Federal Government?, we must go back to 1933 to examine the situation as it existed at that time.

Thomas G. Meeker

Perhaps the most important obstacle to effective securities regulation by a state was the boundary of that state. It was virtually impossible for a state to protect its citizens from selling campaigns conducted from a neighboring state by mail and long-distance telephone. Even extradition was no solution. If a criminal violated a state's laws from a distance and remained out of that state, he was not technically a fugitive and could carry on his swindle with impunity.

We are now faced with a new problem somewhat akin to that situation. In order to avoid the disclosure requirements of Federal law, persons in control of an issuer have transferred large blocks of its securities through foreign banks and trusts to brokers and dealers for resale to the public in boiler rooms, a type of activity I will discuss a bit later. The anonymous, numbered accounts of these institutions shield the identities of the controlling persons and make it more difficult for the Commission to detect those responsible for violations of the law.

Various proposals for some type of Federal securities regulation had been advanced for many years but it was not until the depression following the debacle of 1929 that matters came to a head. A Congressional committee reported that during the decade after the first World War some $50 billion of new securities were floated in this country and that by 1933 fully half of them were found to be worthless.[1] This situation brought about the Federal Securities Act of 1933.

Extent of Federal Jurisdiction

Before discussing the acts and their provisions individually, there are two aspects of the subject I should like to mention which are common to all of the statutes. The first is the matter of Federal jurisdiction. The lawyer whose practice is confined largely to local matters is likely to forget that the Federal Government is not a sovereign in the sense that Texas is a sovereign. The United States is a government of limited powers and must find its source of authority in the Federal Constitution. All of the Federal securities laws, therefore, are based on the Congressional jurisdiction over the mails and the facilities of interstate commerce. Accordingly, before considering any action under our statutes, it is first necessary to find some use of the mails or of the means or instrumentalities of interstate commerce. This so whether the action is civil or criminal, whether it is public or private. Of course, the jurisdictional factors need not be present in every step in a scheme if they are present somewhere along the line.[2] Some criminals have endeavored to take advantage of these requirements to evade the sanctions of the Federal statutes but they have generally not been successful. A swindler may studiously avoid mailing letters only to find that he has overlooked a certain automobile trip to a nearby town in the neighboring state. Or he may carefully stay away from the mail box and the telephone, remain within the confines of a state, and then learn to his dismay that the bank in which he deposited the check to the victim's check mailed the check to the victim's bank for collection. However, be that as it may, some jurisdictional basis must be present in any action under our statutes.

Supplement Not Supplant State Law

The second point I want to emphasize is that our statutes are not intended to supplant the regulatory power of the states. The statutes are intended to strengthen and reinforce the efforts of the states to protect the public interest.[3] Indeed, one of the purposes of the Public Utility Holding Company Act of 1935, of which I will discuss later, was to free the operating utility companies from absentee control which had prevented state authorities from exercising effective regulatory authority over them.

The cooperation between the several state securities commissions and our Commission has been particularly gratifying. There have been several instances in which we have made available to state authorities information we had developed when it appeared that the matter was of a local nature primarily a matter for state enforcement.[4] Similarly state officials have supplied us with their information when it appeared that a particular matter extended beyond their geographical reach.

I would like to stress the fact that the need for a vigorous enforcement program to combat fraudulent securities sales is more important today than it ever has been, and I urge support of such a program. We chuckle sometimes at the historic guillibility of those who were sold gold bricks or the Brooklyn bridge. But the huge sums of money swindled from our citizens at this moment are extracted on representations equally fantastic. Hardly a year passes that we do not have at least one case in our office of someone who represents that he has doodlebug which tells him with certainty the precise spot where oil can be found. These doodlebugs range from a forked stick to complicated machines allegedly powered by atomic energy.

In Texas a swindler went to prison who had extracted large sums from the public for stock in a company which he claimed had perfected a perpetual motion machine. He also had an atomic healing machine which was a panacea for about every disease known to man including cancer. This remarkable machine turned out to be a small kitchen cabinet containing a Mazda sun lamp.[5]

Describes Boiler Room

The old "boiler rooms" which I mentioned are in evidence again. Most of us are probably accustomed to think of a stock broker's office as a reputable organization servicing the legitimate investment needs of their clientele, and I hasten to add that this impression is true of the vast majority of such firms. But there are the fringe outfits who operate in a way that is nothing less than fantastic. The typical boiler room is located in some shabby office building and consists of rows of small cubicles, each one just about large enough to hold one person. Frequently 25 or 30 salesmen are working at the same time. These salesmen are often recruited from ex-convists, veteran fraud artists, and carnival and circus barkers. Each one has, in his cubicle, a number of telephones, a list of prospective victims, and a three-minute egg-timer. The clatter and din of these pitchmen, frequently stripped to the waist, makes the term "boiler room" an apt description. The egg-timer is used to limit the telephone calls unless the prospect show particular promise. The representations made over these phones are almost unbelievable. The pitchmen work on a production basis. They must make a certain quota of sales proportionate to their phone calls or they are fired. The results are staggering. One boiler room we closed down had, in a few months, grossed commissions —commissions mind you — not sales—of $2 million. The long distance telephone bill for the same period was $200,000. Although these outfits do not offer stock in non-existent companies, much of the securities peddled in the boiler rooms is virtually worthless

We are doing all we can to eradicate these criminal activities, but we cannot do it alone. We must rely to a great extent on the efforts of state authorities.

Turning now to the specific statutes, the first, as I said, was the Securities Act of 1933.[6] The statute is not really a regulatory statute in any sense. It is purely and simply a disclosure and anti-fraud statute. It has two basic provisions:

"Truth in Securities Act"

(1) It prohibits the sale of securities unless an effective registration statement is filed with the Commission and a prospectus delivered; (2) It makes unlawful the sale of securities by fraud or by misleading statements or half-truths. I use the word "sale" as a shorthand term. The prohibitions include an offer as well. I think it is important to emphasize that the Commission does not "qualify" securities in the sense that term is often used. Indeed it is a criminal offense to represent that the Commission has in any way approved or passed upon the merits of any security. The statute has been termed a "truth in securities" act. Its basic philosophy is that anyone may sell any security to the public if he tells the truth, the whole truth, and nothing but the truth.

This is accomplished by means of a registration statement filed with the Commission which sets forth the information which Congress has determined is necessary in order to permit an investor to exercise an informed judgment in deciding whether to purchase a particular security. Once that registration statement has become effective, it is the investor who makes the ultimate decision. As one writer has expressed it, "Congress did not take away from the citizen his inalienable right to make a fool if himself. It simply attempted to prevent others from making a fool of him."[7] The Commission's duties under this statute are, in a sense, merely those of the "policeman on the beat."

To enforce the requirements of the Act, Congress has decreed a full complement of remedies. If a registration statement appears to be incomplete or inaccurate the Commission can issue a stop order to prevent it from becoming effective. It can ask the Court to enjoin sales of securities in violation of the registration or fraud provisions, and it can refer to the Attorney General matters which warrant criminal action. There are also provisions which, in my judgment, result in an effective deterrent to violations of the Act, namely, those which enable investors to bring suit for the recovery of damages if sales to them were in violation of the Act.[8]

Exemptions

There are certain exemptions from these registration requirements.[9] Private offerings and sales are exempt. Sales and offerings which do not involve an issuer, an underwriter, a broker, a dealer, or a person in control, are exempt. Certain types of securities are exempt such as those issued by Federal, state, or municipal governments or banking institutions, and securities issued by certain non-profit corporations, savings and loan associations, and cooperatives. Another exemption that you man be particularly interested in is the intra-state exemption.[10] As I mentioned a little while ago, Congress felt that the state should exercise its own regulation where it was possible for it to do so. Accordingly, exempted from registration is any security which is part of an issue sold only to persons resident in a single state where the issuer is incorporated in that state and does a substantial part of its business in that state. I think I should make it clear, however, should a client wish to rely upon this exemption, that there are certain risks involved. First of all, the issuer must be certain that all of the purchasers intend to take the securities for investment. If, within a short period, one or more of the purchasers should resell to a non-resident, the purchaser might be considered an underwriter within the definition of the Act and the exemption will be destroyed. Secondly, it should be noted that the exemption is available only if *all* of the issue is sold intra-state. If any part is sold to a non-resident the entire exemption is lost and all of the sales, even those to residents, become unlawful. This could be of serious import. The sale to the non-resident might even be inadvertent, and even if it should not warrant criminal action, should the stock decline in value, all who participated in the sale would be subject to civil liability at the suit of all of the investors.

If a client's contemplated offering is to be under $300,000 in amount he would be well advised to take advantage of a special exemption Congress provided primarily as an aid to small business.[11] I hasten to add that this exemption, unlike the others I have mentioned, is not an automatic one. It becomes operative only after certain information, including a notification and offering circular, is filed with the Commission and upon the performance of certain conditions imposed by the Commission's Regulation.[12]

I should mention here that the Commission is constantly on the alert to discover imperfections in our rules or statutes. If we discover loopholes which allow malefactors to act to the detriment of the common good, or, on the other hand, if we find that a regulation may be unfair or unduly restrictive to legitimate business, we do not hesitate to

Continued on page 30

*An address by Mr. Meeker, expressing his own views and not those of the Commission or the staff, before the State Bar of Texas Institute, Fort Worth, Texas, July 3, 1957.

1 House Report No. 85, 73rd Cong. 1st Sess. 1933, p. 2.

2 Some provisions (e.g. Sections 7(c), 8, 9(c), and 14(b) of the Securities Exchange Act of 1934) are not themselves dependent on the use of the mails or facilities of interstate commerce, but they came into play by virtue of the status of the person regulated, e.g. a member of a securities exchange the regulation of which rests on such jurisdictional factors.

3 See Securities Act of 1933, Section 18; Securities Exchange Act of 1934, Sections 2, 28(a); Public Utility Holding Company Act of 1935, Sections 1, 18(b), 19; Trust Indenture Act of 1939, Sections 302, 326(2); Investment Company Act of 1940, Sections 1, 50, 40(c).

4 A liaison committee meets twice a year with a similar committee of the National Association of Securities Administrators to discuss mutual problems.

5 *Estep* v. *United States*, 223 F. 2d 19 (C. A. 5, 1955).

6 15 U. S. C. 77.

7 Loss, Securities Regulations, 1957, p. 82.

8 Sections 11 and 12, 15 U. S. C. 77k and 77l.

9 Sections 3 and 4, 15 U. S. C. 77c and 77d.

10 Sections 3(a) (11), 15 U. S. C. 77c (a) (11).

11 Section 3(b), 15 U. S. C. 77c (b).

12 Regulation A, 17 CFR 230.215.

Britain Surrenders to Inflation

By PAUL EINZIG

Dr. Einzig sees no hope for any effective anti-inflation action in England and ponders over the failure of Prime Minister Macmillan, a progressive economist, to stand up to inflationary pressures. Explains governmental inaction in terms of: (1) temporary freedom from balance of payments difficulties; (2) public's acceptance of Roy Harrod's theory that the price situation will correct itself through a full utilization of Britain's expanded industrial producing capacity; and (3) lack of political coverage to spell out full employment's policy on the price level.

LONDON, Eng.—The statements by the Prime Minister and the Chancellor of the Exchequer during the course of the debate on inflation in the House of Commons on July 25 disposed of any lingering hopes, that may have been entertained until then in optimistic quarters, of a firm action to check the rise in prices in Britain. It had been widely expected that the Government would at least go through some gestures of reinforcing its existing disinflationary defenses, now that it has become evident beyond any shadow of doubt that these defenses are unable to stem the tide, or even to prevent its accentuation. But the Government flatly rejected all suggestions, whether put forward by friend or foe, of additional measures.

Paul Einzig

The "credit squeeze" will continue, but, judging by the latest banking figures it is quite ineffective, and both ministerial spokesmen emphatically repudiated any intention of making it effective. There will be, of course, the usual annual scrutiny of public expenditure, but in spite of the prospects of cuts in defense costs, the Chancellor is not prepared to promise more than keeping the grand total at its present level. Even capital expenditure by nationalized industries and by the Government itself is not going to be cut this time. All that will be done is to coordinate the existing investment programs so that they should not reach their peak at the same time.

The Only Innovation Envisaged

The setting up of an independent advisory council is the only innovation envisaged. But the leaders of the trade unions and of the labor movement have already announced that they would not trust the independence of that body. Considering that the names of the chairman and of the members of the committee have not been announced, this condemnation appears to be somewhat premature. But it stands to reason that if Socialist views should be represented on the committee, it could never reach an unanimous decision on anything that really matters, and if its membership is recruited from among Conservative economists alone, its findings could never inspire confidence among the workers.

The proposed committee will no more contribute towards the solution of the situation than did a similar body set up by the Labor Government in 1930, which was utterly useless in face of the crisis of 1931, even though it included Keynes among its members. His suggestions were rejected by the majority, and when the opposite measures suggested by the Socialist Professor G. D. H. Cole were also rejected, Keynes exclaimed: "For goodness' sake, let us decide on something! If you don't like my suggestions decide at least on the opposite measures, so long as we decide on something!"

(This authentic incident is published here probably for the first time. No doubt in due course Keynes' exasperated remark will be quoted as words of profound philosophy, in the same way as his flippant crack "In the long run we are all dead" has come to be regarded as a basic principle of world wisdom.)

Why No Fight?

Why is it that the Government headed by a progressive economist such as Mr. Macmillan has decided virtually to surrender to inflationary pressure? The explanation is simple. Ever since the end of the war no Chancellor of the Exchequer, whether Socialist or Tory, has done anything against inflation unless and until he was forced to take action under pressure of balance of payments difficulties. And unfortunately from the point of view of the internal stability of sterling, in the present instance, the accentuation of the inflation has not so far resulted in a deterioration of the balance of payments. The main reason for this is probably because in most other countries there is also some degree of inflation, so that British prices have remained reasonably competitive. There is, of course, no reason for assuming that this will necessarily remain so.

The second reason for inaction is that Mr. Roy Harrod has conveniently produced a theory justifying inaction. In two articles appearing in "The Financial Times" he said that the inflationary position could and would correct itself through a full utilization of Britain's expanded industrial producing capacity. There is no need, according to him, to worry about high and rising wages, for an increase of the output will provide all the additional goods needed for matching the increased purchasing power. His theory is most welcome, both to trade unions which are certain to quote it each time their wages demands are resisted, and to the Government to which it provides a very convenient excuse for doing nothing for the next 12 months.

Praises Gaitskell

Yet the argument is entirely false. As Mr. Gaitskell rightly pointed out in the course of the debate on inflation, the Government is fundamentally wrong in assuming that in existing circumstances an increase in output would produce a disinflationary effect. That would be the case if the increase were due to the adoption of more efficient production methods. But if it is due to an increased utilization of existing capacity, the result will tend to be inflationary rather than disinflationary.

What Mr. Gaitskell omitted to explain — and perhaps it would have been well above the understanding of the average Member of Parliament—is that if the increase of the output entails the payment of the increased total of wages, the fact that the additional wages get into circulation long before the additional goods appear on the market results in an inflationary time lag. There will be an additional buying pressure on foodstuffs and their prices will rise. Increased raw material purchases, too, are liable to produce an instantaneous effect on a sensitive market. And even when, after a delay of several weeks or months, the additional manufactures emerge from the pipeline, the increased demand for them that is liable to arise through the payment of additional wages will remove the necessity for manufacturers to lower their prices. So on balance there will be a tendency towards an increase in the price level instead of towards a decline as assumed by Mr. Harrod and the Government.

Finally, the Government's decision to abstain from governing in face of the inflationary menace is due to the realization that the only effective means of checking the flood of wages demands would be through creating a certain amount of unemployment. If either Mr. Peter Thorneycroft (Chancellor of the Exchequer) or Mr. Macmillan had said: "If full employment is abused by organized labor for holding the community to ransom, the Government may be reluctantly compelled to abandon its policy of full employment." But this would have been dynamite. It would have required more political courage than the Government was in a position to muster up in existing conditions. Possibly if and when the situation should become desperate the Government will dare to resort to what it undoubtedly knows to be the only possible solution. But in the meantime it is doing its best to burn its boats by re-emphasizing its determination to maintain full employment. After its latest pronouncements the crisis will have to be much graver before the Government will feel justified in going back on its renewed pledge against unemployment. So the debate on inflation, so far from having contributed towards the solution, has greatly increased the difficulties of finding one.

Tamlyn Heads Div. For Nat'l Secs. Res.

The appointment of George S. Tamlyn, Jr., as manager of the public utilities division of National Securities & Research Corporation, 120 Broadway, New York City, has been announced by Henry J. Simonson, Jr., President. The corporation sponsors and manages the National Securities Series of mutual funds.

Mr. Tamlyn previously was on the staff of the Investment Department of the Equitable Life Assurance Society of the United States. As a security analyst, he specialized in public utility and municipal securities.

With Marache, Dofflemyre

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Frederic E. Vanderpool is now affiliated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 28)—Comments on University of Michigan Report about the beneficial use of atomic energy in medicine, reports increased earnings and dividends on its shares of South African uranium companies and comments on Aerojet-General Corp., Daystrom, Inc., N. V. Phillips and Topp Industries, Inc.—Atomic Development Mutual Fund, Inc., Dept. C., 1033—30th Street, N. W., Washington 7, D. C.

Banks and Trust Companies of the U. S.—Quarterly comparison of leading institutions—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Canadian Chartered Banks — Review — James Richardson & Sons, 173 Portage Avenue, East, Winnipeg and Royal Bank Building, Toronto, Canada.

Chemical Stocks—Review, with particular reference to **Rohm & Haas, Monsanto Chemical, Atlas Powder** and **Hercules Powder**—in August Investment Letter—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Financial Situation—Survey—E. W. Axe & Co., Inc., 400 Benedict Avenue, Tarrytown, N. Y.

Government of Canada and the Provinces comparative condensed statements for the fiscal year ended March 31, 1956—A. E. Ames & Co. Incorporated, 2 Wall Street, New York 5, N. Y.

Inflation Problem—Discussion in current issue of "News Letter"—First Security Bank of Utah, N. A., Salt Lake City, Utah.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Market Review—Study—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

More Research . . . or Else—Highlights No. 33 on "research-rich companies" with particular reference to **American Research & Development Corp., Collins Radio, Electronic Associates, Electronic Specialty Co., Lithium Corp. of America, Metal Hydrides Inc.** and **Vitro Corporation of America** — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

New York City Bank Stocks—Second quarterly analysis of 13 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Petroleum Industry 1956—Financial analysis—The Chase Manhattan Bank, Petroleum Department, 18 Pine Street, New York 15, N. Y.

Philadelphia Bank Stocks — Comparison of 12 largest Philadelphia Banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Rails—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Securities of the Instrumentalities of the Federal Government—Pamphlet—Wm. E. Pollock & Co., Inc., 20 Pine Street, New York 5, N. Y.

Turnpikes—Progress report on certain major turnpike projects—Smith Barney & Co., 20 Broad Street, New York 5, N. Y.

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A. S. R. Products—Analysis—du Pont, Homsey & Co., 31 Milk Street, Boston 9, Mass.

Bausch & Lomb Optical Co. — Bulletin — Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available is a bulletin on the **Prophet Co.**

Baystate Corporation—Analysis—Plymouth Securities Corporation, 92 Liberty Street, New York 6, N. Y.

George W. Borg Corp.—Analysis in current issue of "Business and Financial Digest"—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. In the same issue is an analysis of the **First National City Bank of New York.** Also available are memoranda on **Meredith Publishing Co.** and **A. O. Smith Corp.**

Chrysler Corp. — Analysis — Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Climax Molybdenum — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Consolidated Cuban Petroleum—Report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **Wheeling Steel.**

Gabriel Company — Bulletin — De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Gob Shops of America—Analysis—Bruns, Nordeman & Co., 321 Broadway, New York 7, N. Y.

Gulf Cities Gas Corporation—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y. Also available is a bulletin on **J. P. Burroughs & Son, Inc.**

KLM Royal Dutch Airlines — Analysis — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Marmon Herrington Co., Inc. — Analysis — H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Meletron Corp. — Memorandum — Bennett & Co., Equitable Building, Hollywood 28, Calif.

Nationwide Life Insurance Company—Study—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Norden-Ketay Corp. — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Gardner-Denver, P. Lorillard** and **Arthur G. McKee & Co.** and a review of the market outlook.

Northern Telephone Company Limited—Analysis—Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Northwest Production—Report—Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on **Three States Natural Gas, Delhi Taylor Oil,** and **Big Piney Oil & Gas.**

Penick & Ford, Limited, Inc.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Pettibone Mulliken Corp.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Charles Pfizer & Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Rose Marie Reid — Report — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Shell Transport & Trading—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Soss Manufacturing Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Southern Pacific — Review — Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Transocean Air Lines—Analysis—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Tung-Sol Electric Inc.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **McGraw Edison Company.**

With Jerry Thomas

(Special to The Financial Chronicle)

PALM BEACH, Fla.—Verdo C. Sanderson is now with Jerry Thomas & Co., Inc., 238 Royal Palm Way. He was formerly with Woodbury, Foster & Parker.

With Webber-Simpson

(Special to The Financial Chronicle)

CHICAGO, Ill — Thomas M. Harris has become associated with Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange. Mr. Harris was formerly with Leason & Company, Inc.

David Noyes Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harvey G. Dillon has been added to the staff of David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With H. B. Shaine Co.

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Robert M. Connors is now affiliated with H. B. Shaine & Co., McKay Tower. Mr. Connors was previously with Ira Haupt & Co.

COMING EVENTS

In Investment Field

Aug. 1-2, 1957 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group of IBA annual summer frolic and golf tournament at the Columbine Country Club.

Sept. 13, 1957 (Chicago, Ill.)
Municipal Bond Club of Chicago 21st annual field day at the Medinah Country Club (preceded by a dinner Sept. 12 at the University Club).

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10, 1957 (Omaha, Neb.)
Nebraska Investment Bankers Association annual frolic and field day at the Happy Hollow Country Club (to be preceded by a cocktail party, Oct. 9 at the Omaha Club).

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Join Walston & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—James P. Hanrahan, Owen M. Mason, Leroy B. Murdock and Gerald B. Rivlin have joined the staff of Walston & Co., Inc., 201 South La Salle Street. Mr. Hanrahan was previously with Norris & Kenly. Mr. Mason and Mr. Murdock were with Rodman & Renshaw, and Mr. Rivlin was with Irving Weis & Co.

Challenging New Dimensions for American Foreign Operations

By HARVEY WILLIAMS*
President, Philco International Corporation

Mr. Williams proposes we lend foreign currencies, gained through the sale of surplus U. S. commodities, to American and foreign borrowers to make possible further private investment and manufacturing abroad. Calls attention to the development pace of U. S. subsidiaries and branches abroad and finds it is supplanting exports as the traditional method of penetrating foreign markets. Convinced of growth opportunities for maximum market penetration and profits in the next two decades, the Philco International head discusses factors prompting this and the new requirements demanded of an executive engaged in the "New Dimension" of foreign operations. Points out that the world-wide capital shortage favors the more advanced nations, and that utilization of funds obtained through P. L. 480, as suggested, would aid orderly growth of underdeveloped areas and help win the cold war.

American enterprise, inventiveness and skill have combined to fashion an economy and a society within the boundaries of the United States which enjoys the highest standard of living ever achieved by any nation in history. The **productivity** of our people, enhanced by the **mechanization** of all kinds of activity from farming great acreages in the corn and wheat growing states to dishwashing in our individual homes, has become so great that we have outrun our domestic supplies of important raw materials and must go abroad for iron ore, bauxite for aluminum, copper, molybdenum and manganese — just to mention a few.

Harvey Williams

The phenomenal development of the American economy is one of the great wonders of the world. What can be more reasonable or more challenging **now**, than that the financial, production, selling and administrative brains which have created this standard of living in our own country should be turned to assisting our friends abroad in raising **their** standards of living by supplying them, or teaching them how to produce for themselves, more of the goods, services and conveniences which are now commonplace on the American scene.

I am convinced that the next two decades will demonstrate such overseas extension of activities to be one of the great growth opportunities in both sales and profits open to American industry.

To accomplish such an objective for enduring peace and widespread prosperity requires overall, long range planning. Business expansion abroad is dependent, to a large degree, on political implications. The seething Middle East is a vivid demonstration. For these reasons, may I reflect for a moment on the World as we find it today and then offer some suggestions for business development abroad in light of present conditions.

Business Development Conditions Abroad

Canada enjoys circumstances and environment so like our own, including currency and language, that many American companies continue to consider their Canadian operations as part of their domestic activities.

Many, I am sure, are familiar with the "Fortress America" concept which conceives the maintenance of the free enterprise system in the North and South American continents utilizing the scientific, technical and production experience of the **United States** and **Canada** in conjunction with the large population and vast stores of raw materials in **South America.** Its proponents urge the particular attention of American industry and government to the rapid development of South America as a supplement and backstop to our own economy in the event of atomic warfare.

In **Latin America**, we find traditions, customs, and environments entirely unique to these nations. The relatively lesser degree of economic development in South America, than in some other areas, means that these economies start, today, lower on the upward curve of development. Therefore, their rate of growth will be more rapid, their demand for capital will continue at a high level and the returns will be large for successful enterprises in these countries.

Great Britain is an economy carrying on under very special circumstances. It raises 40% of its own food, but it must manufacture and sell in export a quantity of goods sufficient to earn the money to buy the remaining 60% of its food **plus** its requirements for clothing, shelter and other personal needs **plus** the raw materials with which to continue the manufacturing on which it is dependent for existence.

When Britain devotes too large a proportion of its total manhours to making products for its domestic market, the goods available for export diminish—and so do Britain's earnings of foreign currencies.

Consequently, the British Government finds itself continuously on the horns of a dilemma. It would like to increase the standard of living of the British people by allowing a greater proportion of total production to flow into domestic consumption. On the other hand, it must maintain controls, through taxes or otherwise, designed to force a substantial portion of Britain's production into export markets and so maintain earnings of foreign exchange. It is a highly developed society balancing on an economic razor edge.

Common Market's Challenge

In **Continental Europe**, the Common Market slowly approaches a reality. Not all customs barriers will be swept away quickly. If, over a period of 12 or 15 years, barriers against the movement of goods can be eliminated substantially, and labor can flow from over-populated sections with unemployment, to industrial areas providing jobs, we can look forward to the possibility of a unified economy, of approximately 180 million people, with the opportunity to greatly increase its standards of living by lowering production costs and increasing productivity of the individual—much as has taken place in the United States.

The exciting potentialities of this development can be illustrated by a single comparison. In the American economy of 168 million people today, there are approximately 52 million automobiles. In the Continental European economy of 180 million people, there are now only 14 million automobiles.

Imagine a development in Europe which might bring the use of automobiles within 20 years to two-thirds that in the United States currently. Then, there would be some 35 million automobiles in Europe with the collateral manufacturing and service activities the development of which we witnessed in the United States between 1920 and 1940.

This is an opportunity for American manufacturers and for American exporters alike. American companies which become established in Europe now will share in this economic development as their parent organizations have shared in the expansion of our domestic economy. Exporters will benefit by supplying specialized capital goods and other types of products required by the expanding economy which the Common Market will create.

We are all familiar with the degree to which our own economic development was financed by British and European capital between the end of our Civil War and the beginning of World War I. We may well be on the verge of several decades during which we shall see a reversal of that historic capital flow and during which a renaissance of production and material well-being in Europe will be financed, in part, from the United States.

Currently some risk attaches to investment in Europe due to its proximity to the Communist Area. Recent events in Hungary and Poland indicate restlessness in the Eastern Satellites. If their desire for self-determination and for a return to the ideals and ways of the free enterprise system continues, and manifests itself with violence as it did in Hungary, one cannot escape the risks of proximity to such potentials. However, if the Eastern Satellites regain a measure of self-determination by the slower and more conservative tactics of Yugoslavia and Poland, American investments in the European area may have a bright future by virtue of the development of the Common Market.

Africa and Asia

It seems likely that **Africa** will be developed from Europe and will be the special expansion area of the older European economies. We see the French interested heavily in Tunisia, Algiers, Morocco and the Sahara; the Belgians in the Congo—the British in the East African areas and South Africa. Consequently, American participation in European business activities may well carry with it the corollary of participation in the very undeveloped areas of Africa.

I am one of those who believe that the future business potentials of the portion of **Southeast Asia** which remains in the free enterprise area are enormous. In Pakistan, India, Burma, Thailand, Malaya, Indonesia, and the Philippines, there are some 700 million people living at almost minimum standards. The circumstances and environments existing in these economies are totally different from those existing in Europe, Africa or South America. These are areas more easily subverted by Communism because of their poverty and illiteracy. For that reason alone, they should have the special attention of the foreign aid officials of our Government but, more particularly, the interest and aid of our able and foresighted managers in private industry.

Japan is an island economy which must import and export to maintain its existence. If the Japanese will hasten the conclusion of reparations agreements with additional nations in Southeast Asia, their need for trade with Communist China will be lessened and their economic potential can rise quickly. The American companies which have established operations in Japan, often in association with Japanese concerns, would benefit substantially.

In **Australia** there is a special situation — a continent equal in size to the United States, wealthy in vast natural resources, currently populated by only nine million people. It is an economy in continuing need of capital and one which has made outstanding progress since World War II. It is a society particularly friendly to the American way of doing business and one which Americans can well afford to include in plans for overseas operations.

Consequently, as men of management approach the objective of securing maximum markets penetration overseas with maximum profitability, we find no common denominators which will work equally well in every country. The only common characteristic is the urgent need for encouraging and assisting economic development to meet the universal demand for a higher standard of living. This urgent desire for a better way of life, combined with a dramatic reduction in infant mortality, a lengthening of the average span of life and an accelerating pace of technological development is why we find growth trends abroad roughly double those in the United States.

U. S. Dollars Must Come Back

Most of us are familiar with certain basic foreign trade figures, but let us restate them to create a frame of reference. Our exports are running at the rate of approximately $17 billion a year. Concurrently, our imports are on the order of $13 billion. The differential of $4 to $5 billion is a very important factor in our relationships with other nations. If it had not been made up by military aid expenditures, foreign economic aid and American investment abroad, our customers in foreign countries would long since have used up their available dollars. Our exports then, would be necessarily of somewhat the same size as our imports. Of one thing we can be sure—**every dollar which goes abroad as payment for an import, for investment purposes, for a loan for economic development, or an expenditure for military security will, in due course, come back to the United States to purchase American goods or services.**

Prior to World War I, our foreign trade consisted largely of exports of agricultural products

Continued on page 32

*An address by Mr. Williams before the International Management Association, New York City.

Recommended Tax Changes For Steady Economic Growth

By JOHN F. COSTELLOE*

Tax Director, Radio Corporation of America

RCA's tax authority submits tax changes are in order for two kinds of pioneering business activity, one, to encourage U. S. investments abroad and, the other, to prompt new product development in the domestic market. Maintains tax policy designed to help new business to attain success results in small revenue yield loss in comparison with objective and the development of new revenue sources.

We are asked what kinds of tax changes would promote economic stability, reduce tax-induced distortions in resource allocation, and improve the competitive climate for new and small businesses.

John F. Costelloe

I submit that tax changes are in order for two kinds of pioneering business activity.

One is establishment of foreign markets and business. The other is establishment of domestic markets for new products burdened with a Federal excise tax.

Each involves expenditures of resources in the hope of successfully establishing new business. The United States taxes each without reference to the attainment of success. The revenue yield is small in comparison to the impediment to essential economic functions and development of new sources of revenues.

Foreign Investments

In the foreign field, a business conducted as an ordinary domestic corporation must pay full current rates of United States income tax, even on plowed-back earnings. This is true even though the country of operation has relatively low rates of income tax, and even though it has provided special tax relief. The United States cancels the benefit of the lower foreign rate by reducing the credit for foreign taxes.

In his most recent Economic Report to Congress, the President called attention to the incentive to private investment which would be provided by letting the taxpayer have the benefit of special foreign tax relief. Early in 1955, the President had urged that foreign income not be taxed until returned to the United States, and that it then be taxed at about the same rates provided for Western Hemisphere Trade corporations. He said:

"An increased flow of United States private investment funds abroad, especially to the underdeveloped areas, could contribute much the expansion of two-way international trade."

Competitive Disadvantage

The other two major capital exporting countries, Canada and Great Britain, have been actively concerned with current taxation of foreign income. Canada long ago exempted foreign-source income of a special kind of Canadian corporation from any Canadian tax. Some years ago it exempted from tax, dividends received by Canadian resident corporations from foreign corporations whose stock is held to the extent of 25% or more.

In 1955, a Britain Royal Commission recommended legislation which would exempt from current United Kingdom tax, foreign-source income of a special kind of United Kingdom corporation. That recommendation was similar to the unanimous recommendation for the United States by panelists in their appearance before the Subcommittee on Fiscal Policy in 1955.

There is now pending, United Kingdom legislation which would implement that recommendation of the Royal Commission. The parliamentary system gives assurance of enactment in due course.

Enactment of such legislation may be expected to increase the existing competitive disadvantages of United States businesses, a matter of great importance from each of the three standpoints listed in the schedule of hearings. Growth of foreign operations of United States business creates new markets for businesses of all sizes; new opportunities for labor, technology and capital; and means for obtaining from abroad materials on which all depend.

Domestic New Products

Now for the second kind of pioneering business activity to which I have referred, establishment of a domestic market for a new product burdened with a Federal excise tax.

For several years black and white television sets were spared the excise tax imposed on sales of radio sets and other articles. In the years of untaxed sales the market developed so as to yield over $100,000,000 in excise tax in 1950, the first year of tax on television sets.

On the other hand, the 10% excise tax was imposed on all-channel television sets and on color television sets from the beginning, and at a rate twice as high as that applied to most home appliances.

Bringing color television to the public has been enormously expensive. RCA has spent more than $100,000,000 on color television so far, and in 1956 color television reduced its earnings by approximately $6,900,000, a large part of which went for Federal excise tax imposed on set sales.

New products are important to Government as well as to business. For example, total RCA tax payments run about four dollars and twenty cents for each dollar of common dividends; and, in 1955, 80% of the Company's sales were of products and services not available to the public 10 years before.

In my view, wise tax policy would accord to all-channel television sets and to color television, freedom from the special burden of excise tax comparable to that accorded black and white television for several years.

*A statement by Mr. Costelloe before the Joint Economic Committee, Subcommittee on Fiscal Policy.

Dempsey-Tegeler Now In Salt Lake City

SALT LAKE CITY, Utah—The opening of a new office in Salt Lake City was announced by Jerome F. Tegeler, senior partner of Dempsey-Tegeler & Co., St. Louis investment securities firm. In addition, the firm has purchased a seat on the Salt Lake City Stock Exchange.

The new office, which will be located at 345 South State Street, brings to 21 the number of branches Dempsey-Tegeler & Co. operates in 19 cities.

Office manager of the new location will be J. Arthur Pett, who was a general partner of Pett & Morris, Salt Lake City investment securities firm. In addition to Salt Lake City, the Pett & Morris firm had branch offices in Boise, Pocatello and Idaho Falls, Idaho. For the past three years he has operated J. Arthur Pett & Co., also a securities firm.

Associated with Mr. Pett in the new Dempsey-Tegeler office will be Edward J. Mawod, former member of the trading department of A. P. Kibbe & Co., Salt Lake City investment firm.

Kranz & Boge Are Partners in Grimm & Co.

Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announced that George Kranz and August Boge have been admitted to general partnership in the firm.

Mr. Kranz was formerly vice-president of Putnam Fund Distributors Inc.

Herbert Abelow Joins Mitchell & Company

Mitchell & Company, 120 Broadway, New York City, members of the Philadelphia-Baltimore Stock Exchange, has announced the association with them of Mr. Herbert B. Abelow.

Joins Wagenseller Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Samuel S. Sewall is now connected with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Sewall was previously with Merrill Lynch, Pierce, Fenner & Beane.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Emmons W. Sawyer has been added to the staff of First California Company, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

The great fight which the so-called liberals made against private enterprise building the Hells Canyon project, instead of accomplishing their purpose, bids fair to turning into an inducement for private enterprise to build newer and additional plants.

Carlisle Bargeron

The "liberals," looking around for arguments to nullify the Government's license to build Hells Canyon, came up with what they advertised as the great tax write-off scandal. During the Korean War, Congress passed legislation permitting plants to write off the costs of plant extension in five years instead of the normal 20 years. The idea was to get more plants. Manifestly this five years period was the thing for industrialists to take if they figured there would be no need for their additional plant capacity after five years.

But the law is still in effect and it has been taken advantage of by numerous business enterprises whose additional plant capacities or even original plants would have to stretch matters to say they were in the interest of national defense. Others have thought this was no bargain because after writing off the tax in five years, then they would have nothing to write off in the ensuing 15-year period. It was a matter of business judgment whether one wanted to get the five-year write-off or take it over the 20-year period.

It so happens that after the Idaho Power Company got their license to build Hells Canyon they asked for and got a five-year write-off certificate. This gave the "liberals" their "scandal" and they went to town on it. They developed a propaganda to the effect that the Government was giving the private operators this plant. The fact was, of course, that the private operators had to build this plant with their own money or money which they could borrow. On the other hand, they could deduct from their income taxes on properties they already owned, the cost of this new project in five years instead of 20.

Well, the "liberal" agitators set up such a hue and cry that the Idaho Power Company turned down the five-year write-off provision which they had been granted and because of this, or maybe it had little to do with it, they have won their fight in Congress, certainly for the time being, to go ahead with their license to build the dam or dams. The "liberals," which means primarily in this instance the public power crowd, ruefully admit they have lost their fight but they think they have another issue against the Eisenhower Administration—that of giving away our natural resources, "owned by the people," to greedy private interests.

I have written before that I have never enjoyed a dividend from any of these natural resources that are "owned by the people," including me, but developed by the government in the interest of me.

But what the "liberals" in this instance did not anticipate is that it has given ideas to conservative Senators which they may not have entertained before. Why shouldn't the tax laws be so as to encourage business generally?

Senator Homer E. Capehart of Indiana, who has received some newspaper publicity recently by tangling with such "intellectuals" as multimillionaire Senator Kerr of Oklahoma, and Wayne Morse, who admits he is more erudite than anybody else in the Senate, is making a study of quicker tax amortization to encourage increased plants and investments. As he sees it every new plant increases jobs and brings in more revenue to the Treasury. Take the Idaho Power Company as an example. In the first place there are more jobs to build the plant. Then when the plant is in operation it has to pay taxes to the Government. Even the employees working on the building project pay taxes and that means more to the Government. He feels that new businesses should be encouraged in every way. It is not a question as the "liberals" contended that the Government loses money by permitting quicker write-offs. It is a question of developing more businesses to make money to pay the Government more money.

The Indiana Senator could hardly be classed as an "intellectual" like Morse or like multimillionaire Kerr, each of whom has books at his command with quotations of sharp things to say in debate. But he is undoubtedly one of the sharpest business minds in the U. S. Senate. He has proved this in his own business success. Facts seem to be facts to him without the Bartlett's quotations.

BOAC's Stock Brokers' Tour of Europe

Wall Street brokers with a yen for an on-the-spot study of European exchanges are being given this opportunity in a new, four-country tour announced by the British Overseas Airways Corp.

The 1957 "Investment Brokers' Tour of Europe" will leave New York's International Airport on Sept. 20 for a 15-day look at Stock Exchanges in London, Zurich, Copenhagen and Paris.

Idea of a tour for the investment fraternity originated with Pearne W. Billings, a general partner of Winslow, Cohu & Stetson (26 Broadway), members of the New York and American Stock Exchanges.

Tour members will visit, besides exchanges, industrial plants and craft workshops. Also, there will be full sightseeing programs of major attractions, receptions and social recreation.

The tour price of $980 covers all transportation from New York to (and within) Europe and back; first-class hotel accommodations; gratuities, taxes, airport-hotel transfers and all sightseeing. Breakfast is included daily, plus several luncheons and dinners.

Complete information is supplied in a folder, "BOAC Investment Brokers' Tour of Europe," available without charge from the Sales Development Officer, BOAC, 530 Fifth Avenue, New York 36. It is also obtainable from any BOAC district sales office in the United States of America.

With H. E. Johnson, Jr.

ARVADA, Colo. — Mrs. Jennie M. Barton has joined the staff of H. E. Johnson, Jr., 7020 Garrison Street.

Investment Management Of Union Pension Funds

By PAUL L. HOWELL*
Partner, Paul Howell Associates
Research Dir., Twentieth Century Fund's Pension Fund Survey
Adjunct Professor of Finance, Graduate Schools of Business Administration, Columbia and New York Universities

Financial consultant pierces problems said to be found in the administration and investment of union pension funds, and after weighing the relative merits of brokers, trust officers, and investment counselors, avers union pension fund managers are better off if they obtain the help of carefully selected, independent, professional investment advisors. Prof. Howell believes that the long-term opportunity for compound interest to work makes the size of the rate of return a dominating factor, and explains why diversified common stocks have an important plan in the union pension portfolio.

What are the sources of investment advice, counsel and information which can be of assistance to managers of union pension funds? Before appraising the different kinds of advisers it is appropriate to consider first the kinds of financial problems about which labor leaders, charged with fund administration, need assistance. We need to emphasize fundamental principles to get a good foundation for sound management.

Paul L. Howell

The initiation of a retirement program involves several important decisions. These decisions vitally affect the nature and character of the need for investment guidance and counsel. The initial decision as to the nature of the retirement program to be inaugurated will be decisive in determining the amount and character of the investment advice needed thereafter.

There are essentially four sets of financial investment problems about which the fund managers must make decisions:

(1) The type of funding;

(2) Investment portfolio policies appropriate to the objectives of the fund;

(3) Selection of individual securities to meet definite investment specifications, i. e., security analysis; and,

(4) Selection of an investment adviser qualified to assist in the handling of these problems.

We must decide first what the adviser specifications are then hunt for one whose training, experience and abilities fit the funds' objectives.

Labor Leader's Psychological Make-Up

In selecting a financial adviser the psychology of the labor leader must be kept constantly in mind. The union executive is, by training and experience, unfamiliar with financial institutions. This makes him distrustful and hesitant. He must be educated. Furthermore, in opposing management in the collective bargaining process, he often feels anti-capitalistic and is reluctant to trust or invest in the monied institutions called "Wall Street." Should union pension funds be invested in the securities of the employing corporation or the stock of other corporations which may be subject to collective bargaining work stoppages? But pension investing is capitalistic in nature so the old order changes. Union leaders need to be approached through advisers in whom they have trust and confidence.

*An address by Prof. Howell before the Tenth Annual Conference on Labor, the Institute for Labor Relations and Social Security, New York University, June 14, 1957.

I

Investment Decisions Inherent in Initiating a Retirement Program

There is need for attention to fundamentals for a sound beginning. Initial decisions, inconsistent with the objectives of the union pension fund, may be extremely difficult to rectify at a later time. They may nullify the best efforts of subsequent management.

The chief types of pension funding are, as follows:

(1) Pay-as-you-go. Here there is no fund to manage.

(2) Insurance of benefits. Here all investment problems are assumed by the insurance company.

(3) Corporate (bank) trusteed plans. Here investment management is delegated to a bank. The problem is whom do we select?

(4) Self (union) administered pension funds.

The delegation of investment management to insurance companies takes the problem away from union which may not be set-up by organization, training, or experience to manage these funds. Similarly, if it is decided to fund the pension with a corporate (bank) trustee, many of the investment management problems are likewise delegated.

It is assumed that in making these decisions that the union will have competent guidance by pension consultants as to the relative merits of each type of funding and its suitability for the union's retirement objectives. The union, however, needs independent arm's length advice on whether it should delegate its investment function or whether they should try to carry on under their own steam. It is often difficult to get independent, impartial advice from those who are interested in selling their services. An intangible, non-financial factor in the selection of the type of funding is the desire of the union to be active in the administration of the fund.

II

Investment Problems of Union Pension Funds

Assuming the decision has been made to "go it alone" with a self-administered union fund with a bank as custodian, the problem of investment management is presented in its broadest and most intense phases. Let us now examine this problem to see how union managers can be helped to make a success of their investment activities.

Labor leaders are not by training, or experience financial men. They need competent, professional, expert advice in the handling of union funds which is a relatively new development. I believe it is absolutely necessary that the unions either appoint to their staff, or hire as personal consultants, experts in the field to guide them. These experts may not do the work themselves, but their counsel is needed to evaluate fund needs and the ability of others to help them. Let us now look at their investment needs.

A. Investment Portfolio Policies Appropriate to Union Pension Fund Management.

The *objective* of pension fund management, as in all investments, is to earn as large a return as possible, consistent with safety. In pensions yield is of the highest importance because of its effect on benefits or costs. An increase in the effective yield of 1% during the accumulation and distribution period will increase the benefits more than 25%. Furthermore, *investment objectives* should not be confused with social objectives such as investing in housing for union members.

The *operating* characteristics of pension funds necessarily affect the policies designed to implement the investment objective, of a large return. The predominate operating characteristics of a union pension fund are:

(1) The long-term nature of the investment program;

(2) The predominant cash inflow;

(3) Prospective continued growth of the fund;

(4) Absence of a need for liquidity or cash reserve.

It is urged, contrary to conventional thinking, that the possibilities of future inflation should have no effect on investment policy *per se*, which is to secure as large a return as possible regardless of changes which may take place in the price level.

The only effect of inflation on investment management activities will be to avoid those industries where lowered purchasing power will affect adversely the selling price or the operating costs. Search should be concentrated on finding those companies which will be beneficiaries of a rising price level. Thus the basic investment objective of finding the greatest yield opportunities is unaltered.

The operating investment *policies* then revolve around two questions: How to implement the increased yield objective? and, How much risk can be taken?

The answer to these questions lies in a balancing and hedging of investment risks. This is accomplished through a careful and thoroughgoing security analysis, through an aggressive, imaginative, dynamic investment policy following the fundamental currents in the American economy through geographical, industrial, and company diversification; through a balanced or split portfolio with a substantial portion in common stocks; through dollar averaging without trying to outguess the market.

It must be remembered that risk is everywhere and adequate reserves should be set up for the inevitable unprofitable situation. It also must be remembered, even absent changes in the interest rate, that it may be more costly, in terms of fewer benefits, to invest in government bonds instead of following a more imaginative investment policy.

This brief outline of the portfolio helps crystallize some of the job specifications for an investment adviser. He must be a man of imagination and foresight, experienced in common stock investment and the growing industries of the country. A common stock portfolio is more expensive to manage. It requires more research and a higher degree of ability and judgment. Bond investment with its negative, margin of safety approach can be operated satisfactorily by less imaginative analysts. As a concrete example, one would not select as an adviser for a common stock portion of a pension fund a man who was the short-term personal loan officer of a commercial bank.

B. Investment Specifications for Individual Security Purchases.

When a businessman buys a piece of equipment whether it be a simple truck or a complex industrial plant, he has certain engineering specifications in mind. In order for the union fund manager to accomplish his job, he must have definitely in mind the fund's objectives and unique characteristics. The investment objectives of pension funds vary considerably from other funds and may vary from union to union as their own benefit objectives differ.

Some of the chief investment specifications are as follows:

(1) Safety of principal.
(2) Certainty of income.
(3) Adequacy of return.
(4) Appreciation possibilities.
(5) Liquidity—marketability.
(6) Maturity—duration.
(7) Freedom from care and attention.
(8) Taxation.

These specifications are not all harmonious—there may be some conflicts. Selection of a portfolio must necessarily involve some compromise. In the case of common stock purchases there is a need for emphasis on value and fundmental economic trends. The difficult problem here is what is a realistic estimate of the future earnings capacity of the company. A second pitfall is what is a realistic price to pay for these expectations. It may well be that after making a correct judgment as to the earning capacity we pay too high a price. The growth expectation may already be discounted for many years in the future.

III

Selection of Competent Investment Guidance

A. Investment Management — A full time, technical job.

If I can make any contribution to improved management of pension funds, it will be to emphasize this is not a job for part-time amateurs.

Supervision of a security portfolio is a full time job; an almost impossible task. A competent investment adviser or manager should have an extremely broad knowledge of what is going on. One needs to have a knowledge of business cycles, interest rates, taxes, governmental spending programs, world politics, economic geography, trade developments, etc. On the other hand, he needs to know intensively the particular field or a number of particular fields.

For example, if you were to invest in the oil business, you might need to be familiar not only with the oil industry, but with a number of companies in the field. These companies vary from single operations to integrated companies, some of which have world wide connections. What about world political situations? In fact, many people spend their entire life analyzing oil securities alone.

Investment is as technical a field as that of medicine, law, accounting, or engineering. It requires continuous and daily application because of the dynamic character of the constantly changing markets and earnings situations. How can a dilettante hope to be successful in investing in securities in such a dynamic world? The old legal maxim: a lawyer who represents himself has a fool for a client holds equally for the amateur investor.

B. Investment Management Is Professional in Character.

Like a medical doctor, a lawyer, or tax accountant, investing other people's money is a job which requires the highest professional qualifications. It is true that there is no license required to manage other people's money. There is no code of ethics, no supervision, no examinations to pass. But to be a successful investment man-

Continued on page 35

The Short-Term Outlook and Prospective Budget Developments

By PROFESSOR IRWIN FRIEND*
University of Pennsylvania

Anticipating no over-all significant changes in the next 6 to 12 months, author suggests that present conditions may warrant a moderate cut in Federal spending, accompanied by Federal Reserve and Treasury action to ease tight money. Professor Friend proposes bench marks to correlate monetary and tax policy with different economic outlook and budgetary reduction situations, and holds tax reduction is a more powerful anti-deflationary tool than monetary policy.

There are two aspects of the current economic situation which are basic to an appraisal of the over-all economic outlook over the next six to 12 months and to the implications of proposed changes in Government expenditures or taxes. First, the level of our national income is at a record high following the greatest and longest period of prosperity in our history. Second, various economic indicators have in recent months pointed to hesitation or loss of momentum in the rate of advance in business activity.

Irwin Friend

"Less Zip" Noted

Some of the major sectors in the economy have been showing signs of weakness, residential construction for over a year and in the past few months inventory investment and perhaps auto purchases as well. Even business plant and equipment outlays, one of the mainstays of the post World War II boom, have been leveling off. Moreover, a high proportion of the economic series which are regarded by the National Bureau of Economic Research as leading (i.e., turning earlier than) over-all business activity have been declining for varying periods of time. New orders, private construction contracts and permits (residential and non-residential), average hours worked, new business incorporations, and wholesale prices of basic commodities have all tended downward, while business failures have increased. Of the key "lead" series employed by the National Bureau, only stock prices have been at all buoyant in recent months. While I do not happen to believe in the predictive value of many of these so-called lead series—which indeed could have been interpreted as implying recessionary tendencies for some time—the indication they give of somewhat less zip in the economy cannot be ignored.

The money markets also have been showing signs of extreme tightness frequently associated with advanced stages of business boom. The very rapid rise in interest rates over the past year, however, may have reflected not only such economic considerations as higher investment demand and lower liquidity but also the psychological setting induced by Federal Reserve and Treasury policy.

The most important sources of buoyancy for the economy as a whole in recent months have been the increases in Federal and State and local Government purchases of goods and services, a more rapid increase in consumption than in personal disposable income (i.e., a rise in individuals' propensity to consume) and a rise in net foreign investment. Of these the upward trend in Government expenditures is the most significant, and the most likely source of continued support for the economy over the next couple of years—at least under the Administration's budget proposals. In a sense, rising Government expenditures — particularly Federal —may be regarded as taking over for this year and perhaps next the role of rising business investment in plant and equipment last year and rising investment in inventories and residential construction the year before as the most dynamic elements of strength in the business situation.

Offers Predictions

Looking ahead for the next six to twelve month, there does not seem to be much reason for anticipating any significant change in the over-all economic situation. The Administration's budget for fiscal 1958 appears to imply a billion dollar increase a quarter in the rate of Federal spending, and state and local government expenditures will probably increase by another half billion quarterly. Recent surveys of the outlook for investment in plant and equipment over the next year or so—including surveys of business plans to invest, actual capital appropriations by business, and expected sales by capital goods producers—suggest little change in the rate of expenditures on plant and equipment during this period. There is less evidence available for appraising the likely trend in residential construction, business inventories, net foreign investment and individuals' propensity to consume, but there is no strong basis for expecting much change from the current situation in any of these sectors.

Consequently, with the indicated rise in government expenditures (offset in part by a corresponding rise in government revenues) and with no evidence of significant changes elsewhere in the economy, it seems likely that the national income for the next year will be as high and probably somewhat higher than it is currently. On the other hand, there is no indication of aggravated inflationary pressures.

When to Cut Taxes

Turning finally to the implications of proposed changes in the Federal budget, a reduction of $1 billion or $2 billion in presently budgeted expenditures during fiscal 1958 is not likely to change the economic outlook to any important extent. A substantially larger reduction—say $5 billion or more—might give rise to significant deflationary pressures, and probably should be associated with some reduction in tax rates and with policies directed towards easing of current money market conditions. Unless economic conditions deteriorate appreciably, any reduction in tax rates should be small and calculated to leave a modest cash surplus at the current level of national income.

The implications for monetary and tax policy of proposed reductions in Federal expenditures merit further consideration. With private investment demand leveling off, even a moderate ($2 billion to $5 billion) reduction in Government outlays budgeted for fiscal 1958 might make the economic outlook sufficiently shaky to warrant easier money market conditions to stimulate investment. However, with a large volume of Treasury refinancing in prospect and the market for U. S. Government bonds already rather demoralized, it is not at all clear that without positive Government action interest rates would fall.

Suggests Monetary Ease

Under these circumstances, a moderate reduction in Federal expenditures at this time probably should be accompanied by Federal Reserve and Treasury action to ease the money stringency since such action is readily reversible and there would appear to be more danger from deflationary than from inflationary pressures. (I might note parenthetically I do not believe that interest rates can be counted on to reach their optimal level in a "free market" regardless of economic conditions, or that reduction in interest cost to the Government is an irrelevant consideration in monetary policy.) Tax reduction—which is a more powerful anti-deflationary instrument than monetary policy and is not readily reversible—should probably be associated only with more substantial cutbacks in the Federal budget.

*Statement by Professor Friend before the Joint Economic Committee, Subcommittee on Fiscal Policy.

Associates Investment Debentures Offered

Public offering of $50,000,000 Associates Investment Co. 5¼% debentures due Aug. 1, 1977 is being made today (Aug. 1) by an underwriting group headed jointly by Salomon Bros. & Hutzler and Lehman Brothers. The debentures are priced at 100% plus accrued interest.

Net proceeds to be received from sale of the debentures by Associates Investment, the fourth largest automobile finance company in the United States, will be used to increase or maintain the working capital of the company but will be initially applied to the reduction of short-term notes due within one year.

The debentures are not redeemable except through operation of the sinking fund. Sinking fund payments begin Aug. 1, 1963 and are designed to retire 93.324% of the issue prior to maturity by the redemption of $3,333,000 principal amount of the debentures annually.

The company in 1956 had a total income of $117,439,000 and a net income of $19,508,000, the latter equal after preferred dividends to $5.93 per common share.

In addition to its financing operations conducted through 161 offices located in 30 states, the District of Columbia and Canada, the company underwrites automobile and life insurance and is engaged in manufacturing and other business.

Joins Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George J. Muellerschoen has become affiliated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Joins Jamieson Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John O. Stewart has been added to the staff of H. L. Jamieson Co., Inc., Russ Building. He was formerly with Sanford & Co.

Wm. R. Staats Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Chas. E. Condon, Jr., has been added to the staff of William R. Staats & Co., 111 Sutter Street.

How Honest Is Our Money and Other Aspects of Inflation?

By RT. HON. PETER THORNEYCROFT, M. P.*
Chancellor of the Exchequer
United Kingdom of Great Britain and Northern Ireland

Placing "honest money" ahead of popularity, the British equivalent of our Treasurer poses the question "how honest is our money?" and answers that it is "as honest as we choose to make it." The Chancellor of the Exchequer exhorts his country to face the problem of inflation and to accept the necessary remedies; depicts incongruity of those who urge more government spending and yet want inflation dealt with more effectively; labels inflation, not deflation, as the real danger; stresses banks' responsibility to limit themselves to short-term loans; and praises the insurance industry for equating investments to savings collected.

The Exchequer has indeed reason to be grateful to the great life assurance offices for the work which they perform both in collecting savings and in channeling them into productive use in industry and elsewhere. Fifty years ago there was, just as there is today, a claimant demand for new capital. But it was a bit different then. There was a large nucleus of rich men who were able and ready in invest their money. Today we must depend on the savings of the millions. It is not a bad basis—it is certainly a broad one — upon which the economy can rest. The qualities of thrift and temperance have been the foundation of our national wealth. Today men are asking whether these qualities still exist — or at any rate exist sufficiently—in our Government and in our national character. Has inflation come to stay? Are prices bound to go on rising? Are fixed interest securities a sound investment? Put bluntly the question now being asked is "How honest is our money?" And the answer to it is "As honest as we choose to make it."

The National Savings movement is a movement which depends on honest money for its success and which through its devoted and voluntary action represents an important instrument for securing it. If a nation pays itself 7% more for doing no more work, as happened last year, price increases will follow as night follows upon day. No economic or governmental magic, no system of controls can stop that process. Before those price increases thus generated are to form the basis for another round of wage increases, the country should ponder the damage which could be done to this nation and to all who work in it.

All Solutions Are Unpopular

It may be convenient if I concentrate on those aspects of inflation which are by their nature of particular concern to the Government and to the City. I would say this first about inflation. It is perhaps the most intractable and difficult problem which we have to face. Other countries have to face it too and none yet have found a satisfactory solution. Yet here in this island, dependent as we are upon external trade and with the responsibility of a world banker, we needs must find a way to meet this problem. We certainly shall not find an answer to it in blaming one another. The truth is that wage claims, profits, Government expenditure, Bank advances and other factors all have their part to play. All the solutions are unpopular. What is right, as I have observed is not always popular. And it is a relatively easy form of escapism, the moment a solution in one of these fields is even hinted at for all the critics to condemn it and focus attention upon another aspect of the problem.

The truth is that this nation must either squarely face the problem of inflation and accept the policies necessary to check and curtail it or else it must face a continual decline in the value of its currency. If it is said that there is some danger in a Chancellor speaking in such forthright terms my reply can only be that the dangers would be far graver if he failed to do so. What is the Government's part in all this? May I say this about the Government and its expenditure? Hardly a day passes without the Government being pressed to spend more money. It is said—by high placed military persons — that the only form of defense is to have all forms of weapons ancient and modern. It is said that expenditure on the Universities is grotesquely small. It is said that what we spend on roads is quite inadequate. And yet it is said at the same time — incongruously though it may be—that we ought to be dealing more effectively with inflation. You cannot at the same time press on Government to spend more and ask it to halt inflation. The fact is that in April we budgeted to spend less this year than we did last. In my Budget speech I pointed to the surplus of £468 m. and described it as a "striking contribution towards the strengthening of our balance of payments and the stability of the economy." It would at that time have been easy and popular to give away more of this surplus in response to those many critics who were then so busily engaged in pointing out the dangers not of inflation but of deflation. But I stood by my view that inflation rather than deflation was the real danger and I feel sure that no discerning person would disagree with that judgment today.

The scale of public investment is of course high and will certainly continue to be high. Steel and coal, transport and power, all these basic industries need capital. They will absorb large quantities in years ahead. But not even in these fields can we develop faster than the resources which are available permit. We shall of course give these productive industries priority over advances in the Social Services. We cannot afford not to do so. Even so there is limit to the speed at which we can develop. We have not hesitated, and will not hesitate, to adjust even the most essential investment programs. The object must be to secure that these programs are matched by the savings available or the profits earned, so as to place a less heavy burden on the community. These are the facts of life. They are the same facts which face many of our partners in the Commonwealth today. We should be failing in our duty to the Commonwealth and to the whole world if

*From a talk by Chancellor Thorneycroft at the opening of the new offices of the United Kingdom Provident Institution, July 10, 1957.

we did not face them here in the United Kingdom.

Limits Bank Loans to Short Terms

Lastly as to credit policy. Sometimes I am urged to end the credit squeeze. Sometimes I am told to dictate to the Banks on their liquidity ratios in order to intensify it. I wonder if those who advocate the second course want to use the banks as their agents to choke back production and raise unemployment. Oddly enough, the same people sometimes urge both these courses. I doubt their wisdom. Nevertheless, credit policy has an important part to play. Obviously we need to learn all we can about techniques in this field. We all look forward to the findings of Lord Radcliffe's Committee. But of course the Radcliffe Committee was never intended as a substitute for action. Whatever techniques we may develop, credit restriction clearly has a part to play in our struggle against inflation. On the other hand we must not deceive ourselves that improved techniques can ever be a complete answer. In February and March there was a marked upsurge in the level of Bank advances. I am glad to say that since my request to the Banks in April the figures for April and May have shown a less disturbing trend, though I shall be bound to continue to watch the position in the months to come very closely.

Perhaps I may take this opportunity of stating again the importance which I attach to limiting the quantities of Bank money available for long-term investment. The guidance which I have issued to the Capital Issues Committee still stands and is being carried out in their day-to-day work. In particular the principle that overdraft facilities for capital purposes should so far as possible be limited to short "bridging" operations, designed to provide capital for short periods until more appropriate long-term arrangements for finance can be made.

Places Honest Money First

If this means less investment or investment at a slower pace, so be it. For the fact remains that investment unmatched by savings is a battle lost against inflation. It is my intention that the borrowing of money should be as difficult as the real shortage of resources demonstrates to be necessary. I prefer that we should put honest money first and other considerations including any individual popularity a long way after. Businesses, local authorities, public boards and private persons too must cut their Budgets in accordance with the national cloth. Directors and shareholders, bankers and ratepayers will assist the community and themselves if they impress these facts on one another.

Of course I know that there are other factors in inflation. But the existence of other factors is not an adequate excuse for ignoring those that I have mentioned. Your organization is right in the front line in this endeavor. Your task, as I see it, is to collect the savings of prudent people and to match them to investment. Let us wish each other well in the struggle that lies ahead.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The refunding operation with an attrition of $1.1 billion, or about 12% of the publicly-held issues, means the Treasury will have to raise new money in the near future, probably next month. Although the certificates went very well in the exchange offer, there was a good response to the 4 year-2 year note, and this might eventually result in an extension of the maturity date of the Government debt.

Short-Term Securities in Demand

The Government market is again rather distinctly divided into sections, with the short-term area continuing to get the bulk of the attention. This means that there is a strong demand for the near-term liquid obligations which results in a broad and active market for these issues. The intermediate-term securities have not had too much demand, but the new issue, the 4% note, due in four years but redeemable in two years, has added somewhat to the activity for obligations in this group. The long-term Treasury bonds have been moving down towards the lows for the year, even though this trend has been interspersed here and there with rallies.

Long Treasuries Continue at Competitive Disadvantage

The demand for and interest in the most distant Government securities is still very small and, as a result, price movements in these bonds continue to be mainly professional. Because of the upward trend in interest rates and the more favorable yields available in corporate, state and local Government bonds, long-term Treasury obligations do not have attraction yet for investors. In order to meet the existing competition, Government bonds will have to move down to lower levels.

Liquidity Still Dominant Theme of Investors

The money market is still being dominated by the very large refunding operation of the Treasury and it is likely that it will take a few more weeks before the new issues which came into being with this exchange offer will be more thoroughly digested. There is no question but what the money market is a very short-maturity affair because of the uncertainty which overhangs it. And the very large turn-in for the four months 3⅝% certificate and the one-year 4s in the recent refunding operation, appears to be proof positive of the desire to acquire in large amounts only the most liquid Treasury issues. This applies to all types of investors, including the Central Banks.

New One-Year 4% Certificate Well-Regarded

The one-year 4% certificate appears to be a desirable issue for certain buyers of Government obligations and among the most important takers of this security was the Federal Reserve Banks. An issue of this kind is very much to the liking of the Central Banks, since they always want to have on hand a sizable amount of short Government maturities for market control purposes if there should be need for it.

To be sure, the only obligation which the Federal Reserve Banks have used in recent years to influence the money market has been Treasury bills and there are no indications of any change being made in this policy. Nonetheless, it is believed that there will continue to be the usual balance in the Central Banks portfolios and this means a sizable position in Treasury certificates.

Optional 4% Note Issue in Marked Demand

The 4 year-2 year 4% note was, and still is, appealing to quite a few investors that are interested in the savings (account) type of investment. Because of this, it is reported that positions which were taken in this security by dealers and traders have been moving out very well. There are indications that funds are being taken out of savings accounts in both the commercial and savings banks and this money is being reinvested in the 4% due Aug. 1, 1961, optional retirement Aug. 1, 1959. Pension funds, according to advices, are still making commitments in the 4% note, with indications that the bulk of these purchases are now coming from the public ones.

Treasury May Need New Funds Shortly

With the refunding over, the Treasury is apparently out of the money market for a little while. The next refunding will be the latter part of the year, when the recently offered 3⅝s will have to be taken care of, and this brings up the question as to what is going to take place in the meantime. Some new money-raising by the Treasury seems to be expected soon. On the other hand, there is no evidence yet of any let-up in the pressure that has been on the money market and the fact that the Treasury had to go to 4% in order to put over the very large refunding seems to bear this out. This indicates that the demand for money is just as sizable as ever, with corporations, states and local Governments coming into the market in a surge to get funds. This has lifted the yield on new bond issues to the highest level reached in the last 25 years or so.

Interest Rate to Remain at High Level

This increased bond financing by the aforementioned borrowers has more than offset the decrease in new mortgage borrowings to date. As long as the demand for money is going to be large, and there are no indications of a change yet, (even though there may be a minor new financing lull in August), there will be no decrease in interest rates. As a matter of opinion, there are not a few money market specialists who are of the opinion that the cost of borrowing will go higher.

Further Rise in Bank Rates Indicated

The idea that interest rates will continue to advance, especially as far as long-term financing is concerned, raises the question as to what will happen to the discount rate and the prime bank rate. Also, the inflationary pressure shows no signs of abating and, as long as this is the case, there will be no change in the tight money policy of the powers that be. Until there is some worsening in the business picture, the chances are rather good that there will be another round of increases in borrowing rates.

L. A. Caunter Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Theodore P. Patterson has been added to the staff of L. A. Caunter & Co., Park Building.

With Paine, Webber

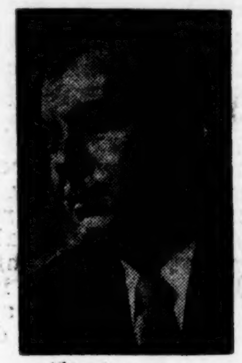
(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert V. McLaughlin is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was formerly with J. Henry Helser & Co.

NSTA Notes

We are pleased to report that Harry L. Zeeman, Jr., of Carl Marks & Co. Inc., has again contracted for a half page space on

Harry L. Zeeman, Jr.



Alfred F. Tisch

the back cover of the Annual Convention Year-Book Supplement of the "Financial Chronicle," and we all appreciate his support.

Alfred F. Tisch, Chairman
National Advertising Committee
c/o Fitzgerald & Company
40 Wall Street
New York 5, N. Y.

William H. Eddy

William H. Eddy passed away July 23 at the age of 77. Mr. Eddy began his career in the investment business with N. W. Halsey & Co. in 1902. He was later associated with Emanuel Parker Company, Estabrook & Co., and Equitable Trust Company. In 1930 he became a Vice-President of the Chase Securities Corp., with which he was associated until his retirement in 1939.

With Boettcher & Co.

(Special to THE FINANCIAL CHRONICLE)

DAVENPORT, Iowa — Paul G. Martens is with Boettcher and Company. He was previously with Vieth, Duncan & Wood.

Joins Bishop-Wells

BOSTON, Mass. — Granville B. Colyar is now affiliated with Bishop-Wells Co., 185 Devonshire St.

Now With du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Harry C. Factor is now with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was previously with Richard J. Buck & Co.

With Keller Brothers Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Leo W. Kritsick is now with Keller Brothers Securities Co., Inc., Zero Court Street.

Joins C. H. Reiter Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Arthur J. Ibold is now connected with C. H. Reiter & Co., Fifth Third Bank Building, members of the Cincinnati Stock Exchange.

"Who Speaks for the Public?"

By JAMES K. VARDAMAN, JR.*
Member, Board of Governors, Federal Reserve System

After picturing bankers as often appearing "to have a pathological fear of competition—a kind of 'competophobia'," Reserve Board member depicts: (1) the uniqueness of demand—deposit creation and its concomitant responsibility; (2) growing concern for a thorough monetary-banking study; (3) competitive varieties of banking and non-banking financial institutions; and (4) rise of such extreme demands as 100% reserves. Banks should encourage sound, constructive legislation and better serve the legitimate demands of commerce and industry, Mr. Vardaman concludes, instead of pursuing narrow or selfish measures against other financial institutions. Contends banking's future lies not in successful defense of its established position, but rather in its willingness to provide banking services consistent with our developing economy.

About six years ago Allan Sproul, then President of the Federal Reserve Bank of New York, and one of the really great men in Federal Reserve history, spoke in St. Louis at the Golden Anniversary Convention of the National Association of Supervisors of State Banks. He chose as the title for his remarks "Who Speaks for Banking?". As usual, it was a pro-

J. K. Vardaman, Jr.

found address — challenging and thought-provoking. One thing he said which particularly interested me was, to quote, "On the great issues of the times in the field of monetary and banking affairs, the banking community as a whole or at least in any organized capacity, usually has taken a negative or neutral attitude. It has left it to others to propose broad legislative programs and to devise changes in our banking and credit system. And then, in combating flaws in such programs . . ., it has allowed itself to be cast in the role of opposition in resistance to change."

Since Mr. Sproul's talk and probably due in part to it, banking has spoken with a somewhat clearer voice than it had prior to 1951. This is certainly true with respect to some of the major economic questions of our day. Banking, as a whole, has given strong and well-reasoned support to sound monetary policies. However, in those areas more directly related to daily operational activities of banking its voice has at times been confused, selfish, and unbecoming, especially in relation to competition between independent banks and branch banks, and between commercial banking and other financial institutions such as savings and loan associations.

Fear of Competition

Bankers as a group or in concention assembled often appear to have a pathological fear of competition — a kind of "competophobia." When such questions develop and are discussed, either privately or publicly, the voice of banking becomes strained, unnatural, and unconvincing. It is then that we hurt ourselves and our institutions by alienating support from the public and in the halls of Congress.

Banks as institutions, and bankers as individual citizens, should know what the public wants and requires; and should be first to recognize these requirements and govern themselves accordingly.

We, as bankers, are literally trustees of private enterprise, for without private banks there can be no private free-market system in this country. Private banking as an institution will survive only so long as it continues to serve the public adequately and fairly; and only so long as bankers take the high position of trustees, rather than the low position of money changers. Our behavior must be tempered by a high degree of public spirit and public service; and we should know that what is good for the public in the long-run is actually best for us.

In this capacity we must not be satisfied simply to defend our entrenched position; but must take the leadership in suggesting such changes in laws and regulations as will permit our banks to serve the public to the public's satisfaction. Whether we like it or not, we should remember that the public will be served largely to its own liking, either by our present system or some other system of financial institutions. Already the erosion in the field of commercial banking has been heavy. The way to stop this erosion is not by static opposition but by constructive and progressive action, which will give the public facilities in the form of banking offices and banking services which the public requires.

Examining Banking

Leaders in government and finance believe that this is a good time to take a careful look at the financial structure in the United States, and the relationships which have developed among various financial institutions. These proposals do not stem from any concern about the soundness of individual banks or loan companies, but they do express some feeling that competition among such organizations may be encouraging practices which, if not unsound in themselves may lead over time to unsound conditions in individual institutions. They refer to the intense competition now going on among commercial banks, savings banks, and savings and loan associations in certain areas which has expressed itself in upward adjustments in the rates paid for time deposits, window dressing around statement dates, longer banking hours, and flamboyant advertising.

Also, some observers appear concerned about the adequacy and effectiveness of present tools of monetary management. Others, impressed by the fact of a faster growth of other financial institutions than of commercial banks, seem concerned about the longer-run competitive relations among the various organizations which make up the financial system; they believe that our mechanism of monetary policy requires commercial banks to carry more than their fair share of the burden of maintaining stability in the economy.

Still others are concerned about what seems to them to be an undesirable concentration of control over banking facilities in some areas through the proliferation of branches, the extension of chains and groups, mergers, or other similar arrangements.

If these and other similar questions are to be carefully examined and major changes in present laws governing financial institutions are to be considered, as now appears probable, it is more important than ever that commercial bankers speak plainly and bluntly, but with clear evidence of understanding of the public interest. This is possible only if we focus our attention on the basic needs and demands of the public—which we all serve—rather than on the narrow competitive interests of various financial institutions, which are transitory in nature.

No Capricious Legislation

First, it is important to remember that the present body of law which provides the basis for our financial structure was not developed capriciously. No field of Federal legislation has been more carefully thought out and less affected by narrow partisanship than banking law. Perhaps because the power "to coin money and regulate the value thereof" is a constitutional responsibility of the Congress, it has approached legislation in this field with great caution, and the deliberations which have preceded important changes provide landmarks of true statesmanship in conduct of the legislative process. This was true of the National Banking Act, the Federal Reserve Act, and the Banking Act of 1935, which provide the statutory basis for most of our present arrangements. Certainly, this long tradition should be maintained, and modifications of the law with respect to banking should be made only after thoughtful, judicious consideration of what is best for the country as a whole. We may be confident that the Congress would prefer to approach financial legislation in this way and that it will seek and welcome the help of bankers.

Banking and Other Financial Institutions

We have a great and growing variety of private and governmental financial institutions, or financial intermediaries as they are sometimes called. Thus, we must deal with organizations ranging from commercial banks to the social security trust funds; from life insurance companies to mutual funds. While all of these institutions have something in common, they are in most respects very different from one another. In evaluating their importance, we must continually ask ourselves which of their similarities or differences are relevant to the question under consideration.

If we are interested primarily in those institutions that create liquid assets competitive with time deposits—and perhaps to a lesser extent with demand deposits—we can limit our attention mainly to mutual savings banks, savings and loan associations, and credit unions. Also, if we are concerned with the effect of nonbank financial institutions on monetary policy, we probably should concentrate our attention mainly on these same organizations.

In considering the competitive relationship among commercial banks and between such banks and other financial institutions, we must always keep in mind that the commercial banks are in some respects unique. They create demand deposits, and this enables the commercial banking system as a whole to have an effect upon the economy that no other institutions can have. For this reason, as was discovered early in the history of banking, it is necessary for commercial banks to be subject to special regulations and supervision, and operational limitations not necessary for other financial institutions.

We all understand this when we take time to think it through. Sometimes, however, bankers tend to think in terms of the operation of their own separate banks, and it appears to them that they cannot create anything, but can only use the reserve funds brought in by their depositors. It looks to them as if their depositors control the amount of credit they are able to extend, since when deposits are withdrawn their bank loses reserve funds and has to reduce its earning assets.

Demand-Deposit Creation

But when we think in terms of the total financial structure and the role that banks play in it, we must remember the **commercial banking system can create demand deposits,** within the limits of its reserve funds. While depositors can alter the distribution of reserve funds among banks, and can cause embarrassment to bankers by shifting their deposits from one place to another, such shifts do not affect the total amount of reserves.

Control over the volume of reserve funds, as we know, is delegated by the Congress to the Federal Reserve System. We must frankly recognize that this is, and must always be, a sacred responsibility.

One thing that commercial bankers should keep in mind is this unique power—and the responsibility that goes with it—to create money through the medium of demand deposits. The great bulk of our money supply —about 80%—consists of demand deposits held only in commercial banks. There are in existence certain types of liquid assets that are in some respects similar to money, and the variety and relative amount of such liquid assets have greatly increased since the Second World War. It would be a mistake to overlook the importance of these funds; but it would be a greater mistake to equate them with money, and thereby discount the special place of money and, therefore, of commercial banks, in the financial structure of the country.

Central Banking's Role

The Federal Reserve System carries out its mandate to regulate the amount of commercial bank credit or deposits, as we all know, through its control over the volume of bank reserves. The specific tools through which Federal Reserve policy is effectuated are primarily open market operations in U. S. Government securities and changes in Federal Reserve Bank discount rates, supplemented by occasional variations in the required reserve ratios of member banks.

Extreme Demands

This consensus seems to be that these instruments are sufficient to permit the Federal Reserve to achieve its objectives in regulating the volume of commercial bank credit and the money supply. Our experience over the past few years with an active anticyclical monetary policy has reinforced that opinion. There continue to be thoughtful students of finance, however, who believe that the Government should exercise a more rigid control over the money supply by requiring 100% reserves against demand deposits.

Certainly, I do not approve any such extreme and it probably would not appeal to many; but, on the other hand, we should all be disturbed by the prospect of an opposite extreme as indicated in recent speeches and conversations which suggest that some people have lost sight of the responsibilities that commercial banks have to the public. They seem to feel that commercial banks should have an assured right to grow as fact as other financial institutions. The fact that laws and regulation prevent them from doing so constitutes, in their opinion, unfair discrimination. It has even been contended that it is discriminatory to apply to banks the special measures administered by the Federal Reserve System (particularly reserve requirements) without applying them also to other financial institutions. The suggestion is made that similar regulatory policies should be applied to such other institutions as savings banks, savings and loan associations, credit unions, life insurance companies, pension funds, and perhaps others.

Any approach that pretends that there are no significant differences between commercial banks and other financial institutions, or that ignores the fact that commercial banks are a part of the monetary mechanism of the country, cannot be sustained. Commercial banks are a special type of financial organization, and—in the public interest—they must be subject to special Governmental action that influences the volume of their assets and liabilities. Any proposal which does not recognize this basic fact is simply not sound and will not be considered seriously by the Congress.

Competitive Picture

When this has been said, however, we must also recognize that the commercial banks are competitive with some other financial institutions, particularly in their function of holding savings and time deposits, and in providing other financial services. The laws —especially tax laws—applying to other types of institutions affect to some extent their relative success in these competitive efforts. There is definitely inequity in some present tax provisions.

If savings and loan associations are growing more rapidly than commercial banks, should we apply additional regulations to savings and loan associations, or remove some from commercial banks, in an effort to equalize their potential growth factor? The unsoundness of such an approach is obvious.

When then, should govern the laws and regulations applicable to different financial institutions? The basic principle should be that the public interest must be protected. If commercial banks are subject to any regulations not required to protect the public interest, then it is only good government to remove them. And if the regulations applicable to other institutions do not adequately protect the public interest, it is only good government to apply additional ones. This is the approach which bankers should take as trustees and leaders of the people in financial matters. In this way, bankers should speak for the public.

Although this approach is simple in concept, of course it is not simple in application. For it requires that we examine the role in the economy of banks and other financial institutions, and the environment in which we expect them to operate in the future, and then ask what regulations would make good economic sense and be good public policy.

Obligations Involved

In order to do this, we ought to consider how the obligations of the various financial institutions fit into the structure of financial assets existing in the economy. We ought to examine the relationship between the type of liabilities that each institution is pledged to meet and the type of asssets that it holds. Do we find a proper balance between the structure of liabilities and the structure of assets? Are the operations of any class of financial institutions unsound in some sense and hence a threat to economic stability? What contribution are the various financial institutions making to the efficiency of our mechanism for mobilizing and allocating credit? Do they facilitate or hamper this all important function? Are they meeting all of the needs that they could meet? Is each type of institution suited to the type of role that it is playing?

*An address by Mr. Vardaman, Jr. before the 66th Illinois Bankers Association, St. Louis, Mo.

At what points is our existing structure of laws and regulation deficient, excessive or misguided? These are not easy questions, but they are the kinds of question that bankers should be asking—and answering—from the public's viewpoint as well as their own.

Financial institutions should not behave in such a way as to cause or contribute to economic instability. As one aspect of this, they should be managed on sound business principles and not be exposed to failure or undue risk of failure. At the same time, however, the useful services of all financial institutions should not be limited to dealings in the highest grade credit risks, but development of some institutions contributing funds to new and relatively risky undertakings should be encouraged. They should be allowed to adapt flexibly to changes both in the nature of demands for funds and in the preferences of savers. Therefore Government policies applicable to each type of organization should impose neither too much regulation nor too little, but should insure that each type is conducted in a way that is in harmony with the position that it fills in our over-all financial network.

This will entail continued application of special regulations to commercial banks. This is inescapable. The money supply must continue to be regulated in such a way as to minimize the risks of inflation and deflation, and thus contribute to the orderly growth of the economy. This is no reason, however, to assume that the commercial banks are doomed to stagnation.

Long Run Growth

Over the longer run, if we believe in a growing economy, we must believe in the continued growth of commercial banking. Whether over the next decade commercial banks will grow more or less rapidly than other financial institutions is difficult to say. Many diverse factors affect the growth rates of such institutions as savings and loan associations, insurance companies, mutual investment companies, and pension funds. Basically they will be affected by changes in the preferences of the public for different types of financial services, by the types of credit demands and by the legal and regulatory framework within which they operate. That framework should be one that makes economic sense and does not discriminate against any particular type of institution. But it should not be and cannot be used as a means of protecting any institutions' "share of the market," or its assumed vested interests.

Given these underlying conditions the position of commercial banks in the financial structure of the country will be determined by the way in which bankers adapt to the changing needs of the economy. It is by having the imagination to see and the initiative to exploit the new opportunities for service uncovered by economic progress that bankers will insure the greatest possible growth for their organizations—not by trying to throw temporary roadblocks in the way of competing institutions, either other commercial banks, or savings and loan and similar financial corporations.

In view of the development of holding companies, chain-banking, the branching of savings and loan associations, and the establishment of an unusual number of single-unit banks, the question of branch banking, likewise, requires a fresh examination by the whole financial community, in the light of public needs and demands. Ours is a dynamic growing economy. Our population is increasing rapidly, and is constantly relocating in accordance with resource development. Rebuilding and expanding our cities, building of new cities, and the creation of new suburbia is a continuous and healthful process. Unreasonable statutory handicaps and obstacles to the provision of adequate commercial banking facilities for public service will be resented; and if commercial banks are not allowed to provide the needed services, in the form of conveniently located offices, and a wide variety of deposit, loan and trust facilities, our customers are likely to drift away to other institutions that will. Apparently some have already done so.

In providing banking services consistent with our ever developing economy, bankers can well do a little more living with the challenge of the future and a little less living with their competitive harassments of the past. The future of commercial banking does not lie in the successful defense of its established position, but rather in its willingness to meet the requirements and demands of the people and industries which it has been chartered primarily to serve.

In most of our communities the banker sets the standard of honesty, integrity, foresight, and prudence for the entire business community. In this position of leadership, bankers, both as individuals and through their associations, must think through very carefully the needs of the country and of their communities and support those changes in the financial structure and its legislative base which will best serve the public.

It cannot be reiterated too often that commercial banking is unique among all private businesses in its association with the public interest. No other private undertaking carries with it the same degree of public responsibility. The voice of commercial banking must not be prompted by a narrow or selfish concern for banks as against other financial institutions; but by a sincere desire to encourage sound, constructive legislation — which will permit commercial banks to serve better the legitimate demands of commerce and industry.

If the banking fraternity is to keep its position of leadership, it must thus speak for the public—fairly, frankly and objectively.

Sigmund Rothbein Opens

CHICAGO, Ill. — Sigmund Rothbein is engaging in a securities business from offices at 5130 North Sheridan Road.

E. M. Shafto V.-P. of Geo. B. Gibbons & Co.

Geo. B. Gibbons & Company, Inc., 20 Pine Street, New York City, announce that Ellsworth M. Shafto has been elected a vice-president of the corporation. Mr. Shafto was formerly an officer of Lyons & Shafto.

Rejoins Jones, Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Chester W. Boxley has rejoined Jones, Cosgrove & Miller, 81 South Euclid Avenue, members of the Pacific Coast Stock Exchange. Mr. Boxley has recently been with Hemphill, Noyes & Co. Prior thereto he was Newport Beach manager for Jones, Cosgrove & Miller.

Fiscal Action to Promote Stability and Growth

By DR. JOHN K. LANGUM*
Economic Consultant, Chicago, Ill.

Consultant Langum advises for the present no general tax cuts and the maintenance of a Federal cash surplus. Discerns further ahead that the private sectors may face continuing and stubborn problems in moving forward "to which monetary and fiscal policies should give due considerations." Notes some areas are now having profit difficulties, and the inability of per capita real disposable personal income to advance in the past 12 months.

Inflation remains a very real problem before the nation. In spite of soft spots in many parts of the economy, aggregate dollar measures of activity are at record levels. Severe pressures continue in the money and capital markets, with demands for funds outrunning the supplies of funds made available through current savings. Many prices and costs are still moving up, with more increases still to come in the months immediately ahead. Overall, the American economy is still operating under pressure.

John K. Langum

The adverse effects of inflation include more than the current adjustments necessitated by higher prices and costs. Beyond that, there is the vicious cumulative impact of inflation. Not least of the difficulties here is the growing belief by the public, by business leadership, and by investment managers that continued inflation, at least in a gradual degree, is a certainty. These views, increasingly translated into action, could bring much more inflation. Further, a speculative bubble on top of the investment boom would certainly be followed by a downturn in business of a degree which we should not have and need not have.

In these circumstances, the objectives of stability and growth both point to fiscal action—and monetary policy as well—designed to restrain somewhat the spiraling of demands on the economy.

Outlines Strong Fiscal Action

In the fiscal field this calls for strong efforts to restrain Federal expenditures, with due regard to priorities of national defense and social welfare. In the light of the prospective state of the Federal budget, general tax cuts at this time are not economically desirable. Furthermore, maintenance of a cash surplus in the Federal budget is particularly needed at this time to support Treasury public debt operations and beyond that to back up indirectly current Federal Reserve policies.

Until the investment boom and inflationary pressures clearly end there should be no general easing of tax policy and credit restraints, in my judgment. The good short-run outlook for business and the immediate problem of inflation, however, does not mean that these will always be the economic conditions and prospects to which monetary and fiscal policies should give due consideration. Looking ahead a bit longer, it appears likely to me that the private sectors of the American economy may well face some continuing and stubborn problems in moving forward.

The record and prospect of growth in the American economy is a proud one. But growth over the years has never meant and does not now mean growth in every year. A decline in business of the degree of severity implied by the word depression, in my judgment, is simply not within the reasonable realm of possibilities in the modern American economy. But the business cycle is not yet dead. We certainly could sometime have a recession, a moderate decline in business activity. Even an economy moving sideways in real terms over some time is an economy of declining corporate profits and rising unemployment. Given the level of Federal expenditures, such a period of interruption in our growth trends, when and if it comes about, will be an appropriate time for decisive tax reduction.

Profit and Real Income Difficulties

The current concern over the Federal budget has served a useful purpose because it has focused attention again on the continuing challenge of control of the level of Federal expenditures. What this means simply is our national decision as to how we want to divide up the spending of our incomes, in broad terms, between the vital benefits of private expenditures and the very real benefits of most government expenditures. No doubt this has been pointed up by recent developments in the economy. Declines have occurred in profits of some corporations and serious difficulties in maintaining profit levels are common to most businesses. Per capita disposable personal income in constant prices has failed to advance during the last 12 months. The urgent priorities of national defense and essential public services underlines the necessity for the most searching scrutiny and stringent control of other Federal expenditures, particularly where avoidable inefficiencies and market-supporting subsidies are involved. The Federal budget is big, but so is the United States. The problem is one of balance. In an expanding economy and in a troublesome world, how much of our real growth shall take the form of expenditures on national security, how much on essential public services, and how much on private investment and consumption.

*A statement by Dr. Langum before the Subcommittee on Fiscal Policy, Joint Economic Committee, Washington, D. C.

LETTER TO THE EDITOR:

Creeping Gold Devaluation to Prevent Creeping Price Inflation

Reader Petty suggests re-examination of Professor Cassel's theory of obtaining a stable price level by planned creeping monetary gold devaluation as a method to avoid current price inflation.

Editor, Commercial and Financial Chronicle:

Those of us who think that the policy of creeping inflation leads to galloping inflation and bust, as more and more people get on the inflation bandwagon, must come up with something better than "let's have a bust now in order to avoid a bigger bust later."

Three percent creeping inflation brings to mind another 3% theory — Professor Cassel's theory that increasing the supply of monetary gold 3% per annum compounded results in a stable price level. Perhaps his studies should be re-examined at the present time.

Would a return to gold, revalued to insure a 3% annual addition to monetary stocks, stabilize prices as they are today and prevent a sooner-or-later collapse?

The great depression of 1873-78 was followed by the "Gold Resumption Prosperity" of 1879 and after. Would gold resumption now obviate a creeping-becoming-galloping bust?

WILLIAM PETTY

New York City,
July 29, 1957.

Halsey, Stuart Group Sells Equip. Tr. Ctfs.

A group headed by Halsey, Stuart & Co. Inc., on July 26 offered \$6,000,000 of 4½% equipment trust certificates, series XX, of Southern Pacific Co. to mature annually from June 1, 1958 to 1972, inclusive. The certificates were priced to yield from 4.10% to 4.65%, according to maturity.

Securing the certificates is new standard-gauge railroad equipment estimated to cost not less than \$7,500,000.

Other members of the offering group are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

Joins A. J. Watkins

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif.—Henry B. Clapp has joined the staff of A. J. Watkins, 1018 State Street.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif. — Homer H. Potter has become connected with Dempsey-Tegeler & Co., 113 East Philadelphia Street.

Now Merrick & Co.

SAN MATEO, Calif.—The firm name of Rex Merrick & Co. has been changed to Merrick & Co. Offices are at 222 East Fifth Ave., with a branch at 528 Market St., San Francisco.

A. M. Kidder Branch

GREAT NECK, N. Y. — A. M. Kidder & Co., Inc. has opened a branch office at 55 North Station Plaza with George Gondelman as manager and Robert Barker Associate manager.

Saunders, Stiver Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Stephen S. Steiner is now with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange. He was formerly with Gottron, Russell & Co.

Milton Steinhardt

Milton Steinhardt passed away suddenly July 25 at the age of 60. For 37 years he had been a member of the American Stock Exchange.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks abandoned, at least temporarily, their attempt to nudge the industrial average to a new high this week. The list backed up a bit decisively in the face of limited offerings as much from the lack of buying as from the light pressure that the selling exerted on the market.

* * *

It wasn't a very convincing display and the low level of volume made it mostly a little seesawing in the midst of the summer doldrums. The thoroughly mixed results showing up in the earnings statement kept sentiment cautious. And the well-anticipated good earnings of the giants — including record peaks for such as Bethlehem Steel, Chrysler and U. S. Steel—were greeted calmly.

Rails Lag Again

Rails, which had started to stir out of their long siesta, fell back in tune with the profit-taking in the industrials and what buying had been around in anticipation of a forthcoming freight rate increase dried up rather rapidly.

* * *

The rail picture so far this year isn't one calculated to encourage investors. For the first half carloadings were down moderately but rising wages had clipped net income back more than 10%. Nevertheless, industry statisticians were still hopeful of being able to boost revenues and net income over last year's full-year results by a brighter last-half showing, bolstered by the higher freight rates.

* * *

It all added up to a picture where the rails, including the quality ones, are showing the better yields available in the present-day market. Santa Fe at recent prices was close to a 7% yield, Norfolk & Western above 6% and Union Pacific nearly 5½%.

* * *

Union Pacific, like some of the other Western lines, deserves attention as much for its oil income as its transportation activities, yet the overall disinterest in rails per se has had a disparaging effect. Nevertheless, in the first four months of this year the oil income was up nearly \$2 million to \$10½ million. One study shows that oil production on its land and in which it had an interest, ran to more than 14 million barrels last year which makes it a bigger oil operation than certain oil companies including Anderson Prichard and Texas Gulf Producing. Even as a rail Union Pacific qualifies as a blue chip, with above-average growth possibilities since the area it serves has been growing steadily and industrial activities in its field have continued to expand importantly.

* * *

Southern Pacific is another quality rail, in fact the nation's third largest system with important interests in oil lands, real estate, pipelines, etc. Southern Pacific, it is conceded, will probably not match last year's \$6 earnings but results are being projected to around \$5.75. At this level the \$3 dividend, providing a 6½% yield at recent market levels, is well sheltered and a long way from being in any jeopardy.

Rail Equipments Neglected

Some of the so-called "rail-equipment" issues have been similarly laggard in tune with the carriers themselves. But New York Air Brake currently derives only about 30% of its sales from the railroad industry. Diversification in recent years has added road building machinery equipment and parts along with pumps that have been winning important uses in aircraft and missile work.

* * *

The stock of Air Brake has been unusually neglected, in fact has yet to wander over a full five-point range for the year. There was a bit of pressure on it late last year when earnings were shaved by the expenses of starting up a new plant plus cancellation of an aircraft contract.

* * *

The company has snapped back well this year. Some projections for full year results indicate as much as \$3.50, or close to it, against \$2.56 last year. In any event, the \$1.60 dividend with its 6¼% yield doesn't appear to be in any special danger.

* * *

Poor & Co. is a bit more dependent on rails, approximately half of its sales from rail supplies. But its road building machinery is up to 30% of the total and could climb to the 50% level when the road-building program gets underway.

* * *

Nevertheless the company has been lifting net profit neatly and could earn \$4.50 for the year, half again as much as it earned last year. That would double the \$2 dividend on which a 6½% yield is available. In fact, there is some hope that Poor & Co. would increase the

dividend if the earnings come up to expectations. As recently as the end of World War II this "rail equipment" entity depended on rail business for some 90% of total revenue so it, too, has come a long way down the diversification trail.

A Neglected Utility

A neglected issue more or less guaranteed to make a far better showing this year than last is American Water Works. On its operations alone it should equal or better last year's $1 per share net and, in addition, is preparing to sell a water property which should add another $1.60 after taxes and expenses. In fact, the company already has raised its dividend with the July declaration putting the issue on a 15-cent quarterly basis for a 60-cent rate against last year's 50-cent rate. It is the largest privately-owned group of water companies in operation.

Dividend-Increase Candidate

A dividend-increase candidate, which has had a placid market life, is Borden with its unusually long string of uninterrupted dividends. Earnings have been on the upgrade, rising from $4.61 in 1955 to $5.01 last year and with $5.35 estimated for this year. It leaves ample room for an increase of the $2.80 rate and even a moderate lift to the $3 level would boost it back into the 5% yield column.

* * *

There has been little following for the utility issues generally lately, an outgrowth of the tight money market. But Columbia Gas which had held ever since 1955 in a range of less than three full points has had little in the way of speculative excesses to correct. In addition, its yield of nearly 6% at recent levels is above-average in the utility section. The company has been whittling away at many difficulties, including the problem of obtaining sufficient gas supplies to keep up its expanded service. The company has been spreading out into the petrochemical field, in partnership with Commercial Solvents, and has an unusually high load of industrial customers where expanding use should make its weight felt in time. In fact, some 18% of revenues are from industrial accounts.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Fred S. Funakoshi has joined the staff of Walston & Co., Inc., 550 South Spring Street. He was formerly with Morgan & Co.

Stuart Scott, Jr. Heads Fund Drive

Stuart Scott, Jr., of Carlisle & Jacquelin, new Travelers Aid Executive Committee Chairman, will head the Stock Exchange Members Division of Travelers Aid Society of New York's 52nd Annual Fund Drive, to be conducted in the Fall, it was announced today by John R. McGinley, General Chairman of the Drive.

Sixty thousand, nine hundred and one travelers were helped by the Society's multi-lingual staff in the terminals and on the piers in 1956; among them, 283 runaway children, 1,830 children traveling alone, 7,331 aged or handicapped people, 791 people who became suddenly ill while in New York, 5,894 refugees and new Americans who came on 441 ships from 67 countries of the world.

Immediate, on-the-spot assistance to people in trouble away from home, plus travel planning and protective care for those with special needs, are services given by this unique non-sectarian voluntary agency.

Travelers Aid, which is supported entirely by individual contributions, is now in urgent need of funds. Mr. McGinley reports that 300 key executives in the New York area are participating in the $395,000 drive to maintain the Society's services during the coming year.

J. Logan Adds

PASADENA, Calif.—Charles E. Conway is now with J. Logan & Co., 721 East Union Street.

Joins Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Thomas L. Lockhart is now with Richard A. Harrison, Inc., 2200 Sixteenth Street.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leon R. Coleman is now with Walston & Co., Inc., 265 Montgomery St., members of the New York and Pacific Coast Stock Exchanges.

York Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Baron Herwitz is now with York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange.

With James Love Co.

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Stanley W. Ross has joined the staff of James Love Company, 460 South Ellsworth Avenue.

Joins Englander Secs.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Gerald J. Robbins is now with Englander Securities Corp., Miami National Bank Building.

Now With Atwill Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Thomas E. Kehoe is now with Atwill and Company, Inc., 605 Lincoln Road. Mr. Kehoe was formerly with McInnes & Co., Inc.

Municipal Bond Women's Club

Annual Outing June 28th at Morris County Golf Club

The Municipal Bond Women's Club of New York held their annual outing June 28th at the Morris County Golf Club in Convention Station, New Jersey.

Members of the outing committee were Jane N. Brownell, Chas. E. Weigold & Co., Inc., Chairman; Dorothy Root, F. S. Smithers & Co.; Constance Hay, Shields & Company; Margaret Burns, Fabricand & Co.; and Anna Prentice Bankers Trust Company.

Front Row, Jeannette Boondas, *Gregory & Sons;* Marie Downs Nocetti, *Paine, Webber, Jackson & Curtis;* Louise Pike; Josephine Rodd, *Goldman, Sachs & Co.* and Louise Bullwinkel, *Tripp & Co., Inc.*
Back Row, Helen Potts, *Dean Witter & Co.;* Marion Junker, *Chemical Corn Exchange Bank;* Estelle Hanvey, *Wood, Struthers & Co.;* Gloria Berardini, *Rand & Co.;* Virginia Ramsdell, *The Guaranty Trust Company of New York;* Vera Smith, *G. H. Walker & Co.;* and Kathleen A. Daly, *Empire Trust Company*

Front Row, Justina Taylor, *The Chase Manhattan Bank;* Doris Niederauer, *Bankers Trust Company;* Eleanor Kube, *Spencer Trask & Co.* and Jacqueline Menard, *Lee Higginson Corporation*
Back Row, Betty Pollock, *Harris Trust & Savings Bank;* Maureen Gough, *J. J. Kenny Co.;* Rosemary Duggan, *Merrill Lynch, Pierce, Fenner & Beane;* Angela Policriti, *The First National City Bank of New York;* and Jeanne Skippon, *Adams, McEntee & Co., Inc.*

Front Row, Virginia Dunn; Lillian Whelen, *C. F. Childs & Company;* Alice Dooley, *Ira Haupt & Co.;* and Madeline Sundstrom, *Chemical Corn Exchange Bank*
Back Row, Pierina Manfredi, *Coffin & Burr, Inc.;* Ruth Miller, *Lee W. Carroll & Co.;* Norma Detlef, *Lehman Brothers;* Helen Kane, *Model, Roland & Stone;* Adrienne Neivert, *Sutro Bros. & Co.;* and Ann Schrieber, *Mitchell, Pershing, Shetterly & Mitchell*

Front Row, Elizabeth Rowland, *McDonnell & Co.;* Mary Ciarlo, *The Bond Buyer;* Elsie Schuyler, *Chemical Corn Exchange Bank;* and Sara Powers, *R. D. White & Company*
Back Row, Marilyn Ellsworth, *Kuhn, Loeb & Co.;* Betty Dickinson, *C. F. Childs & Company;* and Gladys Degner, *King, Quirk & Co., Inc.*

Front Row, Ruth Jones, *Bear, Stearns & Co.;* Mae Walsh Rockafellow, *Flagler System;* Mary Dillon, *White, Weld & Co.* and Betty Hanser, *Hemphill, Noyes & Co.*
Back Row, Vernette Bonn, *Carl M. Loeb, Rhoades & Co.;* Grace Zvonik, *Laidlaw & Co.* and Madeline Kessler, *Bache & Co.*

Constance Hay, *Shields & Company;* Margaret Burns, *Fabricand & Co.;* Dorothy Root, *F. S. Smithers & Co.;* Jane N. Brownell, *Chas. E. Weigold & Co., Inc.;* Emma Brehm, *R. W. Pressprich & Co.;* and Anna Gross Prentice, *Bankers Trust Company*

Jean Davies, *Wainwright & Ramsey, Inc.;* Ola Smith, *The Marine Trust Company of Western New York;* Helen Kane, *Model, Roland & Stone;* and Norma Detlef, *Lehman Brothers*

Price Inflation Environment Affecting Insurance and Savings

By ROGER W. BABSON

Financial expert assays the insalubrious relationship of savings and life insurance to inflation. Recommends making adjustments for price inflation in reading G N P data; outlines inflation - inducing factors; and suggests Federal Reserve Board's policies be encouraged.

Statistics can be used to prove what you want to prove—or they can be used to show what they do prove. Money is used universally, and its fluctuations must always be considered in all calculations. The problem is to find a stable unit of value. On the basis of a dollar worth 100 cents in 1939, it is now worth 50 cents and is going lower.

Roger W. Babson

The money unit—whether it be a dollar, pound, or franc—has a tendency to become less and less valuable. Money is always a problem to every one, from the paper boy to the President of the United States. The Government has debts even as you and I. As the dollar becomes of less value, so do our savings accounts and life insurance.

The National Debt

Wars are the Government's most expensive cost item. They destroy wealth, take the best youth of the nations, settle nothing, and are supported by borrowed money. This debt must be paid by the youth of the country yet unborn. These Government obligations are known as the National Debt. In 1914, the National Debt was a little over $1 billion. Today it is around $275 billion and it costs about $9 billion annually to pay the interest on the debt. We have fought wars to end all wars, but the next one may end everything else!

Printing-Press Money

There are many people who think that the National Debt and the money problem could be solved by printing more money. When you stand in the balcony of the Bureau of Printing and Engraving, watch a worker hold up a blank sheet of paper, push it into a machine, pull a lever, hold the sheet of paper up again transformed into $1,000 bills, you can readily see how they get that idea. The end of printing such money may be complete repudiation and catastrophe.

Labor Unions

In 1933, Labor Unions had a membership of around three million; today it numbers around 18 million. Since we have a civilian labor force of almost 70 million, this means that less than 30% of the workers are unionized. However, the leaders of this 30% practically set the standards for a large majority of the nation's workers. Some of the union activities are harmful both to the general welfare of the nation and to their own members as well. Labor should get a fair wage but its production should increase in line with its wages. Otherwise, these workers reduce the value of your savings and life insurance.

The Vicious Spiral

The Union demand is always for higher wages or shorter hours. Employers are willing to grant increases so long as production is being increased, but otherwise such raises are just like printing-press money and are followed by a rise in the prices of consumer goods. Increased prices are soon met by another demand for an increase in wages, and the spiral goes round and round. The vicious circle continues: Increased wages, increased costs of production, increased prices, then increased wages. This will go on until the consumer ceases to buy and we have unemployment and depression.

Creeping Inflation

This gradual increase in prices lessens by so much the value of the dollar and of your savings deposits and life insurance. This situation is going on at the present time, and unless it is controlled it will cause trouble in time. The Federal Reserve Board is trying to stem creeping inflation with tighter money. We should all encourage the Board in its effort to protect the dollar, our savings, and our life insurance. Inflation does not increase the volume of business; it just increases the number of dollars necessary to carry on business.

Conclusion

The Administration likes to speak of the Gross National Product, which is measured in dollars, because it probably makes everybody feel better; but remember that it is measured by a 50-cent dollar rather than by amounts of food, clothing, and shelter.

Allen & Co. Places Ogden Debentures

Ogden Corp., it was announced on July 26, has arranged to place privately, through Allen & Co., New York, an issue of $5,000,000 5% convertible subordinated sinking fund debentures due May 15, 1972.

The debentures are convertible into common stock of Ogden Corp. at the rate of $20 per share.

L. P. McGean Joins L. B. Schwinn & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Lee P. McGean has become associated with L. B. Schwinn & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. McGean was formerly manager of the municipal department of Saunders, Stiver & Co.

With Field & Teeters

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—William C. Lewis is now with Field & Teeters Investment Company, 16725 Gulf Boulevard.

Form W. A. Steadman Co.

EAST ORANGE, N. J.—William Allen Steadman & Co. has been formed with offices at 604 Central Avenue to engage in a securities business. Officers are William Allen Steadman, President; Harold A. Kazmann, Vice-President, and Jessie M. Steadman, Secretary and Treasurer.

Now With Adams-Fastnow

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph Sattler has become affiliated with Adams-Fastnow Company, 215 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Sattler was previously with Akin-Lambert Co., Inc., and Pledger & Company, Inc.

J. W. Clarke & Co. Silver Anniversary

Increasing Federal and state regulations, narrower profit margins, the heavy volume of postwar financing and the more complex nature of the investment banking field have combined to make the traditional "one man shop" almost a thing of the past, but in Chicago one firm has successfully resisted this nation-wide trend. The firm is John W. Clarke & Co. which, on Aug. 1, will celebrate its 25th anniversary.

John W. Clarke

Exactly 25 years ago when the country was at the bottom of the depression, John W. Clarke started his firm, specializing in common stocks and revenue municipal bonds. Today, with the same personnel, the same Loop bank as cashier, almost the same furniture, John W. Clarke & Co. has become known from coast to coast as the "biggest little bond house in the business."

Offices in the Field Building were rented because they were "non-expandible"—and that's the way they are today. But the business has expanded, and the firm has been an important factor in local financing. It has been comanager of the $101,000,000 Calumet Skyway rapidly being completed on the South Side of Chicago, as well as co-manager of the $41,000,000 Chicago parking revenue bond program. It had a prominent role in refunding the Cook County bonds in 1936 as well as the bond financing for the Galveston wharves.

With the exception of our years out for Army service with the military government units in Africa and Italy, John Clarke has been a well-known figure in local finance.

He started his career on La Salle Street in 1920, when he joined Brokaw & Co. as a salesman. In the great expansion of the 1920's, Mr. Clarke quickly rose through the ranks to be sales manager, and then Executive Vice-President of Brokaw & Co. When that company was liquidated in 1932, Mr. Clarke started his own business.

With Baron, Black Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Bernard Novatt has been added to the staff of Baron, Black, Kolb & Lawrence, Inc., 253 North Canon Drive.

Weston Adds to Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Morton Herme has been added to the staff of Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

With Grover Fillbach

(Special to The Financial Chronicle)

BURBANK, Calif. — Robert C. Monroe has become associated with Grover C. Fillbach, 548 North San Fernando Boulevard. Mr. Monroe was previously with Hill Richards & Co.

2 With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—John H. Grobaty, Jr. and John E. Lucas have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Grobaty was previously with Barbour, Smith & Co.; Mr. Lucas was with First California Company.

Anxiety Over Inflation And Other Matters

By HON. HERBERT HOOVER*

Former President of the United States

Former Chief Executive charges Congress has lost control of the purse—our "first protection of fundamental liberty," and that government spending is one of the major forces in today's inflation and must be reduced in order to arrest deterioration of the dollar's purchasing power. Seeks support for admittedly prosaic and, therefore, slow-moving Hoover task force recommended bills which unanimously passed in the Senate and are now "hung up" in the House. Disavows possessing any pessimism and trusts mankind can control the new and gigantic forces unleashed by the scientist with the aid of the engineer.

Many have expressed great anxiety over the inflation movement now going on. They are warranted in that anxiety for the purchasing value of the dollar has lost probably four or five cents during these recent months—and it still is going down.

Herbert Hoover

I do not need to state that one of the major forces in this particular inflation is government spending. The Federal budget of $71 billion is only a part of this spending. You must add about $14 billion expenditure through trust funds. Then you need add some $30 billion state and local spending. By all of which you reach over $110 billion. And there is still another item of expenditures which I will explain in a moment.

The only effective way to stop this particular inflation movement is to reduce this spending. I agree with Senator Byrd that anywhere from $6 to $10 billion could be cut from the Federal expenditures without damage to any essential function of the Government.

Lost Control of the Purse

There is one cannon-ball item on the deck of these expenditures where newspaper editors could take an immediate hand. The Commission on Organization of the Government called attention to the fact that over recent years the Federal Government has developed the practice of making forward appropriations extending over years for various purposes. These are not the annual budget appropriations such as those now before the Congress. The total of these advance appropriations is now estimated to be about $70 billion—mostly in the defense and foreign aid agencies. These monies can be spent during any fiscal year in addition to the annual appropriations in the budget. You should read the testimony of the Controller General before a Senate Committee as to what actually happens in the use of these appropriations. But the worst of it is that the Congress by this device has lost control of the purse. And since Runnymede that has been the first protection of fundamental liberty.

There are Budget and Accounting bills in the Congress to remedy this evil. They have no tear-jerking attachment and they move very slowly. And these bills do more than restore the control of the purse. They provide the Federal Government with simplification and improvements in both budgeting and accounting. Our Task Force of the most eminent accountants in the country estimated these changes would save $3 billion a year.

"Hung-Up" in the House

These bills have been recommended by the Commission, by President Eisenhower, by the Secretary of the Treasury, the Director of the Budget, and the Controller General. Under Senator Kennedy's leadership, they passed the Senate unanimously. They have passed the House Committee concerned, and they are now hung up. Here is where the nation's press comes in. You can wring this concession to the common man from King John of the Pentagon and King John of the Foreign Aid.

I will not go into the 385 other ways the Commission recommends by which our Federal Government can cut expenditures. News columns and editorials have already given yeomen service.

In recent years I have often remarked that ours has become the worst mechanism of government in the world—except all the others on earth.

But there is something fundamentally far more dangerous going on among free men than even wasteful expenditures. Man's curiosity to explore the unknown and his impulses under freedom to do it have led him further and further into discovery of the fundamental laws of Nature. Today the scientist, with the aid of the engineers have introduced new and gigantic forces into our civilization. But as yet the ethical standards of mankind and its governmental action have been unable to control these forces. Think it over.

Not a Pessimist

Don't think I am a pessimist. This Republic has gone through great trials in the past. It has even rectified legislative mistakes. It has even changed Supreme Court views. By its religious faith and its love of liberty, it has always made a comeback to increased greatness.

*From a talk by Mr. Hoover before the American Society of Newspaper Editors, San Francisco, July 11, 1957.

Bank of Montreal Appoints Kjeldsen

CHICAGO, Ill.—Niels Kjeldsen, Assistant Superintendent of the Bank of Montreal's Manitoba and Saskatchewan district for the past six years, has been appointed senior special representative of the bank in Chicago, according to an announcement made over the week-end.

He succeeds William E. Burgess, who goes to the Assistant General Manager's Department, in Vancouver, B. C. Mr. Kjeldsen, a native of Denmark, joined the Bank of Montreal at Winnipeg, in 1928, and later served in a variety of posts in eastern and western Canada.

Joins Hodgdon Company

BOSTON, Mass. — Philip N. Page has become affiliated with Hodgdon & Co., 10 State Street.

Continued from first page

Funds' Portfolio Policies More Aggressive

curities was a reversal of the trend of the March quarter.

Individual Management Policies

As our Table further shows, there was great divergence between defensive - aggressive policies followed by the managements. Among those evidencing defensiveness are Carriers & General, with an increase in its holdings of net cash and governments from 6.6% to 15% of net assets, a boost in defensive securities from 2.7% to 7.2%, and a resulting decline of risk securities from 90.7% to 77.8%. Others in the defensive group are Loomis-Sayles, General American, Knickerbocker Fund, the Dreyfus Fund, U. S. & Foreign, the Massachusetts Investors Growth Stock Fund, and the Investment Company of America.

Bond Competition

The advantage in using the presently high-yielding bonds as a haven of refuge is typified by the following contained in the editorial statement of the last-named management: "Your management is very optimistic about the long-term future of common stock prices based on the industrial progress of our country and the persistence of inflationary influences. However, in view of the many cross-currents and uncertainties in the present situation and the fact that protection against short-term market risks can be secured through the purchase of United States Government bills at more attractive rates than for a great many years past, we have reduced the common stock position and increased the holdings of U. S. Government bills. At June 30, 1957, cash and U. S. Government obligations constituted 16.8% of total assets as compared with 10.5% at Dec. 31, 1956 and 4.3% at March 31, 1957."

Aggressive Managements

Among the managements stepping up their aggressive policies during the quarter were Fidelity Fund, which decreased its net cash and governments by $9 million, or from 9.4% to 5.3% of net assets. Further, the National Securities Income and Stock Series, Axe-Houghton Stock Fund, Axe Science and Electronics Fund, the Group Securities Common Stock Fund, and the Value Line Income Fund are conspicuous by their shift toward greater aggressiveness.

On the other hand, the Value Line Fund which continually warns of the market's over-pricing, still has the highest relative position in net cash and governments of any fund here under review.

Of the 72 companies in our analysis which report their common stock transactions, 41 were net buyers and 21 were net sellers, with 10 an approximate stand-offs.

It appears that the analysis of the economic and business elements by Tri-Continental led it to adopt hedging-to-bullish policies. In a full-dress pamphlet report on "The Business Situation" prepared for Tri-Continental Corporation, Broad Street Investing Corporation, National Investors Corporation, and Whitehall Fund, Inc., by Union Service Corporation, which provides their investment research and administration, conflicting factors as the slow decline in the Federal Reserve index of industrial production since February, money stringency, the high level of capital expenditures, rising costs, increasing competition, and the development of some weak spots, are all cited.

Understandably then, Francis F. Randolph, Chairman, reported to the shareholders of Tri-Continental that new funds received from the issue of common stock on exercise of warrants were used, for the first time in some while, to add to equity holdings. But he reported further that there were purchases of senior securities (limited to new issue bonds offering relatively favorable rates of return); and that by and large, the relative increase in common stock holdings resulted primarily from gain in market value.

On the other hand, as Mr. Randolph reported as chairman of the sister trust National Investors, for all practical purposes that fund's portfolio continued to be fully invested in common stocks.

The necessity for maintaining an important position in equities even though the near-term picture seems discouraging, is typically urged by the management of Stein Roe & Farnham Fund. Coupled with emphasis on the continuing inflationary pressures is the citation by President Harry H. Hagey, Jr., of the "alarming aspects" of the continuing wage-price spiral despite the leveling off of activity, and the generally mixed individual industry behavior.

Among those expressing increased interest in high-yielding high-grade corporate bonds and convertible issues are the Trustees of Shareholders' Trust of Boston, who point to the attractive opportunities that have been made available through the further increase in interest rates.

Also bond consciously from the Johnston Mutual Fund:

"It seems advisable to maintain our present relatively conservative policy until the extent of the present business readjustment can be gauged more clearly. Meanwhile our reserves provide the highest return in over 20 years. A good portion is held in short term bonds as a buying reserve, and a number of convertible issues with interesting potentials have been added."

Diversiifed Investment Fund, Inc., managed by Hugh W. Long and Company, while maintaining a 70% ratio in common stocks, purchased more than $3,700,000 of bonds "to take advantage of the attractive yields available on high-grade bonds." At the same time, as the Fund was thus raising its bond holdings to 17.6% from 13.3% six months previously, it reduced its preferred stock holdings from 15% to 12%.

Hedging Advantages

A hedged attitude likewise is evidenced on the part of Wall Street Investing Corporation. In his President's Letter, Mr. John G. Pell stresses the inflationary bullish factor as follows: "The basic inflationary bias of our economy continues to be evidenced. In June the price indexes rose to a new high for the tenth consecutive month and now rest at their highest level in our economic history." But, "contrapuntally," he immediately appends the Fund's Economic Consultant's bearish report on "the important factor of the money market," carrying this definitive conclusion: "In a longer perspective, with a basic growth trend in the economy remaining strong, the underlying trend in interest rates should be stable to rising, with a significant easing in the money market likely only in the event of a recession."

The advantages of a hedging policy are likewise pointed out by the New England Fund's trustees, Henry E. Kingman, Chairman, Francis G. Goodale, and Albert T. Armitage:

"The Fund's relative stability of capital values over this period of generally declining bond prices and up-and-down stock prices is attributable chiefly to the Fund's substantial holdings—21% of total net assets — of short-term notes and government and corporate bonds which will mature and be repaid in the near future. These issues are paying income today at unusually good rates by comparison with the rates prevailing over the last two decades. Many are paying a higher income return than some 'blue chip' common stocks.

Other Advantages of Liquidity

"The Trustees' goal is to maintain, insofar as possible, the **buying power** of your capital and income under varying conditions. The liquidity of our bond investments gives the mobility needed to shift emphasis in either direction as events unfold.

"The Trustees are cognizant of the existing potential for further inflation. We are equally cognizant of the opposing forces which have already caused readjustments in several leading industries and which, if they continue unabated, might affect adversely the general level of business. Thus, the Fund's current 40%-60% defensive-aggressive position acts, in effect, as a hedge against either possibility."

The "balanced philosophy" is set forth as follows by Emerson W. Axe, President of Axe-Houghton Stock Fund:

"It is obvious however that from an investment standpoint the present situation calls for particular care in the selection of securities.

The management of your Fund has consequently maintained the balanced position of the Fund with slightly less than two-thirds its normal maximum investment in common stocks and the remainder of the Fund in preferred stocks and cash or cash equivalents. The Fund's common stock investment is concentrated largely in industries that may be expected to resist any further business decline, or where the probability of longer-term development outweighs shorter-run uncertainties or where government orders may be expected to maintain activity. The Fund's investment in preferred stocks should be favorably affected by the eas-

ing of money rates which should occur later on."

An unusually forthright expression on the bearish side comes from General Investors Trust, the relatively small flexible fund operating from Boston. "In many cases the return on high grade bonds surpasses the yield on good quality stocks — a factor usually regarded as a significant economic signal. In the general economic picture differing trends are in evidence. There are other important signals. The volume of business has slowed somewhat and many businesses reflect a squeezing of profit margins . . . many securities from a price-earnings standpoint appear vulnerable (with the offsetting palliative, 'at the same time there are special situations which may

Continued on page 22

Balance Between Cash and Investments of 74 Investment Companies

End of Quarterly Periods March and June 1957

Security Transactions During April-June 1957

	Net Cash & Governments† Thousands of Dollars —End of—		Net Cash & Governments† Per Cent of Net Assets —End of—		Investment Bonds and Preferred Stocks* Per Cent of Net Assets —End of—		Com. Stks. and Lower Grade Bonds & Pfds. Per Cent of Net Assets —End of—		(In Thousands of Dollars) Portfolio Securities Other than Governments		Of this: Portfolio Common Stocks	
	Mar.	June	Mar.	June	Mar.	June	Mar.	June	Total Purchases††	Total Sales**	Total Purchases††	Total Sales**
Open-End Balanced Funds:												
American Business Shares	3,692	3,629	13.2	13.6	35.6	34.8	51.2	51.6	225	878	None	447
Axe-Houghton Fund A	4,093	3,796	9.0	8.4	38.7	36.7	52.3	54.9	1,747	1,576	1,747	1,160
Axe-Houghton Fund B	3,772	3,629	5.4	4.9	25.1	22.6	69.5	72.5	6,176	2,621	3,711	2,060
Axe-Houghton Stock Fund	663	409	9.5	5.9	28.7	25.9	61.8	68.2	678	487	658	487
Axe Science & Electronics	36	104	0.3	1.0	28.1	21.3	71.6	77.7	110	818	110	249
Boston Fund	2,000	3,756	1.4	2.5	¶33.2	¶31.0	‡65.4	‡66.5	10,276	8,621	4,067	6,699
Broad Street Investing	1,814	1,907	1.9	1.9	20.3	19.2	77.8	78.9	5,584	3,411	2,167	1,659
Commonwealth Investment	9,403	8,148	7.9	6.6	18.5	19.0	73.6	74.4	6,263	3,869	2,794	2,888
Diversified Investment Fund	1,672	778	2.5	1.2	26.6	25.5	70.9	73.3	3,243	1,321	2,140	829
Dodge & Cox Fund	387	340	7.4	6.2	26.7	24.2	65.9	69.6	228	118	N.A.	N.A.
Eaton & Howard Balanced Fund	13,193	15,620	7.6	8.7	23.7	20.9	68.7	70.4	5,982	8,991	1,434	1,883
General Investors Trust	337	340	10.0	9.6	12.3	12.3	77.7	78.1	117	50	91	None
Group Securities—												
Fully Administered Fund	495	495	6.1	6.1	22.9	21.6	71.0	72.3	258	158	258	158
Institutional Foundation Fund	835	538	8.3	4.9	9.5	8.2	82.2	86.9	1,297	219	1,155	98
Investors Mutual	9,290	4,277	0.9	0.4	32.5•	31.8	66.6	67.8	55,648	32,117	22,510	13,175
Johnston Mutual Fund	499	178	8.5	2.9	27.1	30.6	64.4	66.5	443	320	59	66
Knickerbocker Fund	1,353	2,404	10.1	17.9	20.4	22.5	69.5	59.6	179	1,311	179	1,311
Loomis-Sayles Mutual Fund	8,626	11,243	15.5	19.4	26.9	25.7	57.6	54.9	5,175	6,360	2,256	4,710
Massachusetts Life Fund	2,779	3,169	8.5	9.1	31.4	26.3	60.1	64.6	2,468	1,402	1,879	156
Mutual Investment Fund	1,259	1,393	9.5	9.4	11.4	11.7	79.1	78.9	2,568	1,504	2,022	1,388
National Securities—Income	3,782	1,073	7.1	2.0	9.2	8.9	83.7	89.1	4,167	886	3,553	885
Nation-Wide Securities	1,672	1,676	6.3	6.3	32.5	33.1	61.2	60.6	2,295	2,286	1,130	1,761
New England Fund	1,390	1,383	9.9	9.9	30.5	29.3	59.6	60.8	840	924	724	705
George Putnam Fund	5,942	5,054	4.3	3.5	25.1	23.1	70.6	73.4	10,075	5,959	4,419	3,042
Scudder, Stevens & Clark Fund	1,838	1,490	2.6	2.1	37.9	31.3	59.5	66.6	3,176	3,011	1,022	241
Shareholders' Trust of Boston	765	1,443	4.1	7.4	21.3	21.4	74.6	71.2	1,375	2,008	848	1,628
Stein Roe & Farnham Fund	1,507	1,930	8.6	10.2	36.3	33.1	55.1	56.7	723	249	474	112
Value Line Fund	3,796	3,280	37.8	34.8	20.3	18.7	41.9	46.5	342	902	135	701
Value Line Income Fund	4,792	1,295	6.5	1.8	1.1	0.6	92.4	97.6	8,830	4,035	8,561	3,878
Wellington Fund	41,100	39,430	6.9	6.3	29.6	29.0	63.5	64.7	46,223	29,339	28,383	24,727
Whitehall Fund	243	177	3.0	2.1	43.5	44.0	53.5	53.9	820	726	38	317
Open-End Stock Funds:												
Affiliated Fund	48,581	46,366	13.4	12.6	0.5	0.5	86.1	86.9	12,463	11,984	12,463	11,984
Blue Ridge Mutual Fund	2,629	1,591	9.8	5.7	0.6	0.5	89.6	93.8	2,849	1,718	2,823	1,718
Bullock Fund	3,698	5,109	11.5	14.8	None	None	88.5	85.2	2,327	2,949	2,250	2,949
Delaware Fund	3,423	3,981	7.1	7.8	5.4	7.9	87.5	84.3	7,204	6,344	5,357	6,194
de Vegh Mutual Fund	1,073	813	7.6	5.2	6.8	6.5	85.6	88.3	3,464	1,969	2,973	1,319
Dividend Shares	28,024	30,315	13.4	13.8	None	0.05	86.6	86.1	5,252	7,058	5,143	7,058
Dreyfus Fund	221	2,424	2.0	18.6	None	None	98.0	81.4	1,649	2,951	1,649	2,951
Eaton & Howard Stock Fund	9,529	10,640	12.3	12.3	None	None	87.7	87.7	6,748	3,229	4,967	1,729
Energy Fund	53	65	1.6	1.5	None	None	98.4	98.5	1,003	380	1,003	380
Fidelity Fund	23,629	14,604	9.4	5.3	4.6	3.4	86.0	91.3	25,716	9,286	25,716	9,286
Fundamental Investors	5,968	5,671	1.6	1.3	None	None	98.4	98.7	14,786	7,265	14,786	7,265
General Capital Corp.	128	7	0.9	0.05	None	None	99.1	99.95	408	734	408	734
Group Securities — Com. Stock Fund	2,337	650	9.6	2.5	None	None	90.4	97.5	5,194	2,202	5,194	2,202
Incorporated Investors	8,183	11,639	3.2	4.2	0.6	0.6	96.2	95.2	8,731	7,572	8,731	7,572
Investment Co. of America	4,053	17,072	4.3	16.8	0.2	None	95.5	83.2	4,680	4,990	4,680	4,822
Massachusetts Investors Trust	18,755	20,178	1.7	1.8	None	None	98.3	98.2	37,824	26,189	18,890	7,052
Massachusetts Investors Growth Stock	2,231	6,064	1.9	4.3	None	None	98.1	95.7	a9,599	a3,864	9,599	3,864
National Investors	827	505	1.3	0.7	None	None	98.7	99.3	1,849	1,092	1,349	1,092
National Securities—Stock	7,749	2,971	6.1	2.3	None	None	93.9	97.7	8,673	3,332	8,673	3,332
Pine Street Fund	651	567	4.9	4.1	7.2	5.4	87.9	90.5	682	539	506	136
T. Rowe Price Growth Stock	1,691	1,950	19.1	19.9	2.4	2.0	78.5	78.1	452	287	452	287
Scudder, Stevens & Clark—												
Common Stock Fund	217	732	1.5	4.5	None	None	98.5	95.5	1,156	335	1,156	335
Selected American Shares	10,653	12,642	17.0	18.7	0.9	0.2	82.1	81.1	20,752	15,116	4,792	4,594
Sovereign Investors	24	42	1.3	2.1	2.5	1.6	96.2	96.3	29	None	29	None
State Street Investment	22,743	22,939	13.9	13.3	0.4	0.4	85.7	86.3	11,117	11,300	‡‡10,056	11,300
United Accumulative Fund	10,682	13,109	8.2	9.0	10.8	9.6	81.0	81.4	18,259	6,391	15,077	5,785
United Continental Fund	1,650	1,255	6.1	4.3	1.0	1.1	92.9	94.6	3,049	997	3,049	979
United Income Fund	7,111	6,354	4.7	3.9	0.8	1.4	94.5	94.7	9,012	6,380	8,024	6,380
United Science Fund	2,227	2,535	5.7	5.7	1.2	1.0	93.1	93.3	4,753	2,413	4,753	2,413
Value Line Special Situations	453	137	4.9	1.5	None	None	95.1	98.5	424	322	424	322
Wisconsin Fund	166	290	1.4	2.4	8.9	7.4	89.7	90.2	504	459	416	248
Closed-End Companies:												
Adams Express	4,472	4,270	4.8	4.4	1.0	0.9	94.2	94.7	645	589	645	589
American European Securities	661	846	3.6	4.4	20.7	16.0	75.7	79.6	699	1,033	598	252
American International	1,752	1,349	4.5	3.3	1.6	1.5	93.9	95.2	468	639	468	639
Carriers & General	1,101	2,675	6.6	15.0	2.7	7.2	90.7	77.8	1,201	2,758	N.A.	N.A.
General American Investors	3,843	5,160	5.9	7.3	1.8	1.6	92.3	91.1	567	3,800	467	3,800
General Public Service	2,012	2,392	7.3	8.9	None	None	92.2	91.1	1,222	1,919	1,222	1,919
Lehman Corporation	8,245	10,539	3.6	4.2	0.2	0.1	96.2	95.7	8,407	10,583	8,407	10,422
National Shares	2,454	1,941	10.0	7.3	2.1	1.7	87.9	91.0	1,782	1,300	‡‡1,683	‡‡1,190
Niagara Share	2,494	2,013	5.4	4.0	3.0	2.7	91.6	93.3	590	481	523	481
Overseas Securities	----	----	----	----	§11.6	§12.3	§86.8	§80.6	377	589	347	589
Tri-Continental	9,651	11,278	3.0	3.4	21.6	19.2	75.4	77.4	16,344	12,267	7,036	4,525
U. S. & Foreign Securities	13,511	17,142	11.3	13.0	None	None	88.7	87.0	14	3,620	14	3,620
Grand Total	412,600	427,276							450,455	315,702	305,322	221,728

†Including corporate short-term notes where so included by reporting investment company. End-of-March figures shown for net cash and governments and for investment bonds and preferreds have been partly revised accordingly. *Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB (or approximate equivalents) for preferreds. ¶Bonds and preferreds irrespective of quality classification. ‡Common stocks only. §In percent of gross assets. ††Cost of purchases. **Proceeds from sales. ‡‡Estimated. (a) Exclusive of corporate short-term notes.

SUMMARY

Changes in Cash Position of 74 Investment Companies June 30, 1957 vs. March 31, 1957

	Plus	Minus	Approx. Unchanged	Total
Open-End Companies				
Balanced Funds	9	17	5	31
Stock Funds	13	14	4	31
Closed-End Companies	7	4	1	12
Totals	29	35	10	74

Average Allocation by 74 Companies of Assets to Cash and Equivalent, Defensive Securities, and Risk Securities

	Mar. 31, 1957	June 30, 1957
Net cash, etc., and Governments†	7.0%	7.1%
Defensive securities (investment bonds and preferreds)	12.5	11.6
Risk securities (common stocks plus lower grade bonds and preferreds)	80.5	81.3

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Frank L. Young II has joined the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Young was formerly with Keller & Co. and Lyons & Shafto.

Continued from page 21

Funds' Portfolio Policies More Aggressive

well participate in further advances')."

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POLICY TOWARD INDUSTRY GROUPS

Our analysis of specific portfolio changes, drawn from this study's tabulation covering over 400 common stock issues, is primarily based on the number of managements buying or selling, rather than on the volume of shares involved.

The following industry groups are revealed as eliciting bullishness: farm equipment, autos, banks, drugs, finance companies, food, insurance, machinery, paper, public utilities, radio-TV, steel and tires; and, to a lesser degree, coal, and retail trade. Predominantly sold were airlines and natural gas. A mixed attitude was evinced toward aircrafts, auto parts, building, chemicals, containers and glass, electronics, metals, office equipment, oils, railroads, railroad equipment, and tobaccos.

INDUSTRY GROUPS BOUGHT

Agricultural Equipments Liked

Buying of Deere and International Harvester carried over from the previous quarter. Six managements bought the former issue, with only one fund liquidating part of its holdings. Three managements bought Harvester, two with intial commitments.

Automotives Bought

The Big Three each attracted a moderate preponderance of buyers. More pronounced were the purchasers in the auxiliary lines, including Borg-Warner, Briggs & Stratton, Kelsey-Hayes. Sellers predominated in Stewart-Warner, Thompson and Timken.

Banks Get a Fillip

Apparently reflecting increased consciousness of the earnings effects from the rising money rates, banks enjoyed good if spotty buying, including Chase, Chemical Corn, and First National City. 13,025 shares of Chemical Corn were bought by Affiliated Fund, and new commitments of 9,500 were made in this issue by the Bullock Group, and of 12,000 shares by the United Income Fund. On the other hand, Investors Mutual was a substantial seller of New York City banks, while adding to its holdings of out-of-town banks and insurance companies.

Drugs in Favor

Drugs continued their previous quarter's popularity, as one of the best-bought groups. The most widespread interest centered on Merck with 7 buyers and only one seller. • The issue was newly bought by Blue Ridge. Next in popularity were Bristol-Myers and Eli Lilly, the latter attracting 4 buyers, including Wellington Fund newly with 35,300 shares, and no sellers. Among the buyers of Parke, Davis was Investors Mutual which added 51,300 shares. Sellers outnumbered buyers in Mead Johnson.

Finance Companies Popular

The finance companies were extremely popular. In C. I. T., Commercial Credit, and Pacific Finance there were only buyers with no sellers. Pacific was newly acquired by Investors Mutual in the amount of 25,000 shares. Traders Finance, a Canadian company, was completely liquidated by Blue Ridge and the Putnam Fund, with no buyers.

Foods Find Favor

Food issues added to their popularity of the previous quarters. Armour, Corn Products, General Mills, and Nabisco found only buyers, with no sellers. There was an approximate standoff in General Foods and National Dairy. Swift was completely liquidated by Wellington and the Value Line Income Fund; and West Indies Sugar was closed out by the Bullock Fund and De Vegh; with no buyers of these two issues.

Insurance Stocks Moderately Popular

Apparently reflecting their availability well below liquidating value and possible rate hikes as an offset to the recent disappointing operating results, fire and casualty companies enjoyed the best buying in this group. Fireman's Fund, with no sellers, was bought by Investors Mutual (23,600 shares), Affiliated Fund (17,900) and by the Eaton & Howard Group (3,300). Great American also was bought by Affiliated Fund and Investors Mutual. Affilated Fund likewise was a large buyer of U. S. Fidelity & Guaranty, as were De Vegh and Eaton & Howard Stock Fund, with the George Putnam Fund a small seller. Phoenix was closed out by two managements, with no buyers. Among the life companies, Travelers was again the most popular, with three buyers, State Street, Commonwealth Investment, and Putnam; and no sellers.

Machinery and Industrial Equipment Accumulated

Babcock & Wilcox, the atomic energy flavored company, which made a rights offering in April, let the parade as the most widely acquired issue in this group, with no sellers. Foster Wheeler was newly acquired by three managements, with no sellers. Joy and Worthington were also popular, the latter bought newly by Fidelity Fund, National Shares, and Mutual Investment Fund. Selling predominated in Cincinnati Milling and Caterpillar Tractor, although M. I. T. appeared as a liberal buyer of the latter.

Papers Well Bought

Paper and paper product issues continued their popularity, in the face of the industry's well-publicized cyclical overproduction tendencies. Most popular was Crown Zellerbach, with seven buyers and two sellers, General Public Service and Massachusetts Life Fund comprising the new purchasers. Mead was bought by 4 managements, including State Street and Fidelity and sold by 1. Kimberly Clark was bought by 4 funds and sold by none; while Rayonier was liberally purchased by 4 managements, including Investors Mutual with 38,000 shares. On the other hand, Chemical Fund disposed of 21,800 shares. St. Regis was bought by 4 managements, 2 of them (Fidelity and Shareholders' Trust of Boston) newly. On the other hand, United Funds Group disposed of 35,500 shares and Lehman 5,000 shares. International Paper was quite heavily sold, with a complete close-out by the Investment Company of America, the United Funds Group and the Delaware Fund. De Vegh and New England Fund appeared as two new buyers of this issue.

Public Utilities Still Popular

Although not as popular as in the previous quarter, the public utilities continued to weather misgivings over inflation and dearer money. Florida Power was bought by 7, including Lehman, Fundamental, and General Public Service, and sold by Pennroad. Public Service E. and G. was acquired by 5 managements, including a new acquisition by the Axe Group to the tune of 20,259 shares, and no sellers. Houston Lighting and Power found 5 buyers, including United Funds Group newly, with no sellers. Southern Co., making new highs, was bought by 4 managements (principally M. I. T. to the extent of 25,000 shares) and sold by none. General Public Utilities was newly bought by Mutual Investment Fund and Group Securities, with Lehman selling 30,700 shares and Pennroad 12,714. Issues in which selling predominated included Niagara Mohawk, Florida Power & Light, Potomac Electric, Pacific Gas, and Union Electric (by Nation Wide and State Street).

General Telephone was newly acquired by Putnam and Pennroad, with no sellers; while ATT was liberally sold by 7 managements, including 3 complete eliminations, by Pennroad, Eaton & Howard Balanced Fund, and Delaware Fund. Incidentally, ATT represented the only issue sold by American Business Shares during the quarter.

Radio-TV Attracts Some Buying

20th Century-Fox was bought newly by the Value Line Income Fund and the Axe Group, with no sellers. Storer Broadcasting was also purchased by Value Line newly, as well as United Income Fund, with no sellers. ABC-Paramount was acquired by Fundamental Investors-Diversified Investment Management, Stein Roe and Farnham, Commonwealth Investment, and Eaton & Howard Stock Fund. Complete eliminations were made by State Street. New England Fund, and Overseas Securities. New buyers of CBS "A" were Dividend Shares in the Bullock Group and the Mutual Investment Fund. The Axe group and Stein Roe and Farnham sold part of their holding. CBS "B" was sold by State Street.

Retail Trade

The funds were moderately bullish on retail trade. Well-bought were Allied Stores, Montgomery Ward (with National Securities Income making a new acquisition), R. H. Macy, Federated, Woolworth, Associated Dry

27

Goods and Jewel Tea. On the other hand sellers predominated in May, Penney, and Sears.

Rubber and Tires Bought

Firestone was the favorite in this group, with 5 managements buying, including Investors Mutual, Fundamental Investors, Eaton & Howard Stock Fund, Institutional Investors, and Dodge and Cox, with no sellers. Goodyear was newly acquired by Scudder Common Fund, and completely eliminated by Knickerbocker.

Steels Acquired

U. S. Steel was the most popular issue in its group, with 7 buyers and 2 sellers. Purchasers included State Street, Selected American Shares, Investment Company of America, Massachusetts Life Fund, Eaton & Howard Stock Fund in that order of volume. On the other hand, holdings were reduced by Wellington and Dreyfus. Republic was newly acquired by Eaton & Howard Stock Fund as 1 of 5 buyers; with Carriers & General, as 1 of 2 sellers, making a complete elimination. Bethlehem was freshly bought by Dodge & Cox and New England Fund. Fidelity Fund acquired 72,000 shares through conversion of debentures, subsequently selling 17,000 shares.

* * *

INDUSTRY GROUPS SOLD

Airlines

Sellers exceeded buyers in American, Eastern, and United; with buyers taking over only in the newly issued KLM Royal Dutch stock.

Natural Gas

El Paso Natural Gas was sold by 7 managements, with the Bullock Group and Mutual Investment Fund making a complete elimination. Panhandle Eastern Pipe Line was sold by Affiliated Fund and Delaware Fund, with National Shares the only buyer. United Gas was sold by General Public Service, Tri-Continental, Adams Express, American International, and the Value Line Special Situations Fund (complete elimination). This group's only issue in relative demand was Southern Natural Gas, but even here the issue was completely eliminated by State Street and General Public Service.

MIXED GROUPS

Aircrafts

Consonant with the outcropping of market weakness with talk of improved prospects for disarmament and some actual cut-backs, the aircraft and aircraft equipment group ran into divergent

Continued on page 24

Changes in Common Stock Holdings of 57 Investment Management Groups

(April — June 1957)

Issues in which transactions by more than one management group occurred. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios. *(Purchases shown exclude shares received through stock splits or stock dividends. Changes through mergers also disregarded.)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
6(1)	72,700	Deere & Co.	2,000	1
3(2)	14,[illegible]	International Harvester	15,800	2(1)
		Aircraft and Aircraft Equipment		
4(4)	5,800	Aerojet-General	None	None
1(1)	6,000	Bell Aircraft	2,500	1
5(2)	21,450	Bendix Aviation	None	None
2	7,000	Garrett	None	None
3(2)	34,400	General Dynamics	650	2
4	28,967	North American Aviation	30,000	4(2)
3(1)	*26,300*	*Boeing Airplane*	*65,500*	*4(1)*
3	*11,800*	*Douglas Aircraft*	*17,400*	*4(3)*
None	*None*	*Lockheed Aircraft*	*10,100*	*2(1)*
1	*11,000*	*United Aircraft*	*5,900*	*2*
		Airlines		
2(2)	15,700	KLM Royal Dutch	None	None
2	*31,800*	*American Airlines*	*40,000*	*4(1)*
2	*2,500*	*Eastern Air Lines*	*5,216*	*4*
1	*34,560*	*United Air Lines*	*42,300*	*2(1)*
		Automotive and Parts		
4	15,000	Borg-Warner	10,000	1(1)
4(2)	17,000	Briggs & Stratton	2,000	1
3	2,000	Chrysler	2,000	1
2	1,100	Eaton Manufacturing	None	None
2(1)	1,500	Ford Motor	3,000	1
3	29,500	General Motors	3,600	2
3(1)	13,500	Kelsey-Hayes	None	None
2	1,480	Mack Trucks	6,000	1(1)
None	*None*	*Ford Motor of Canada "A"*	*1,450*	*2*
1	*14,900*	*Stewart Warner*	*3,000*	*2*
1(1)	*5,000*	*Thompson Products*	*12,000*	*4(1)*
2	*28,800*	*Timken Roller Bearing*	*4,100*	*3(2)*
		Banking		
2	4,000	Chase Manhattan Bank	None	None
5(3)	40,525	Chemical Corn Exchange Bank	None	None
1	400	First National Bank of Chicago	1,300	1(1)
3(2)	34,000	First National City Bank of N. Y.	1,900	2(1)
3(1)	10,800	Guaranty Trust (N. Y.)	34,060	3
1(1)	10,000	Hanover Bank (N. Y.)	42,900	1
2(1)	2,000	Marine Midland Corp.	6,600	2
		Beverages		
2(1)	2,500	Coca-Cola	3,400	2
1	450	National Distillers	200	1
		Building, Construction and Equipment		
3(3)	128,100	American-Marietta	None	None
3	8,000	Armstrong Cork	18,100	1
2(1)	3,590	Bestwall Gypsum	None	None
3	27,900	Carrier Corp.	10,273	3(2)
2	4,347	Flintkote	1,000	1
1	6,400	General Portland Cement	7,000	1
2(1)	7,775	Ideal Cement	2,600	1(1)
2	2,300	Johns-Manville	500	1(1)
1	21,700	Masonite	1,600	1
1	29,600	Missouri Portland Cement	2,000	1
2(1)	1,500	National Gypsum	20,060	2(1)
2(1)	8,860	Otis Elevator	18,500	1
1	100	Penn-Dixie Cement	4,500	1
5(1)	33,765	Trane	None	None
2(1)	4,100	U. S. Pipe & Foundry	8,000	1(1)
2	28,700	U. S. Plywood	None	None
2(2)	2,500	Yale & Towne	None	None
1	*3,000*	*American Radiator*	*13,000*	*3(2)*
2	*1,250*	*Lone Star Cement*	*10,000*	*3(2)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
1	*600*	*Minneapolis-Honeywell*	*6,600*	*3*
3	*1,880*	*National Lead*	*8,500*	*4(1)*
3(1)	*8,700*	*U. S. Gypsum*	*3,300*	*4(1)*
		Chemicals & Fertilizer		
5	13,900	Air Reduction	34,300	2(2)
4	7,959	Allied Chemical & Dye	19,870	3(1)
1	24,000	Borax (Holdings) Ltd.	18,000	1(1)
1(1)	300	Columbian Carbon	700	1
2	1,204	Dow Chemical	1,672	2(1)
6(1)	8,800	Du Pont	1,200	2
2	2,200	Food Machinery & Chemical	None	None
3	6,900	Hercules Powder	11,400	2
2	2,900	Interchemical	1,600	1
2(2)	30,000	International Minerals & Chem.	None	None
8(1)	83,824	Monsanto Chemical	3,660	2(1)
3	9,500	Pennsalt Chemicals	None	None
2(1)	8,500	Spencer Chemical	None	None
2(1)	19,000	Stauffer Chemical	11,500	1
2	4,500	Texas Gulf Sulphur	None	None
2	1,000	Union Carbide	4,300	2
2	1,800	United Carbon	None	None
2	10,000	Vitro Corp.	None	None
1	*1,300*	*American Cyanamid*	*14,300*	*6(2)*
1(1)	*3,500*	*American Potash & Chemical*	*10,079*	*3(3)*
None	*None*	*Freeport Sulphur*	*5,500*	*2(1)*
1	*1,000*	*Hooker Electrochemical*	*12,500*	*5*
None	*None*	*Koppers*	*16,700*	*2(2)*
None	*None*	*Olin-Mathieson*	*27,600*	*2(2)*
2(1)	*1,000*	*Rohm & Haas*	*1,755*	*4(1)*
1	*18,100*	*Victor Chemical*	*46,258*	*2(2)*
		Coal & Coke		
2	21,000	Island Creek Coal	1,000	1
2	16,750	Pittston	4,525	2
		Containers & Glass		
3	4,600	American Can	15,000	1(1)
2	1,900	Anchor Hocking Glass	2,700	1
4	16,600	Continental Can	37,000	4(3)
3	11,300	Libbey-Owens-Ford Glass	None	None
1(1)	5,000	Standard Packaging	50,000	1(1)
1	*1,200*	*Corning Glass Works*	*16,100*	*4(1)*
1	*4,700*	*Owens-Corning Fiberglas*	*5,100*	*2(1)*
2	*10,200*	*Owens-Illinois Glass*	*35,961*	*3(3)*
1	*1,300*	*Pittsburgh Plate Glass*	*32,600*	*3(2)*
		Drug Products		
2(1)	17,000	Abbott Laboratories	8,200	1(1)
4(1)	33,400	Bristol-Myers	3,500	3
4(1)	40,000	Lilly (Eli) "B"	None	None
1	2,000	McKesson & Robbins	1,000	1
7(1)	22,000	Merck	2,000	1(1)
3(1)	61,000	Parke, Davis	5,500	2(1)
3(1)	14,900	Pfizer (Chas.)	3,000	2(1)
1	1,700	Smith, Kline & French	2,200	1
2	6,000	Sterling Drug	64,900	2
2	9,900	U. S. Vitamin	None	None
2(1)	5,300	Warner-Lambert	None	None
2	*8,500*	*Mead Johnson*	*16,800*	*3(2)*
1(1)	*5,000*	*Schering*	*5,000*	*2(2)*
		Electrical Equipment & Electronics		
1(1)	500	Clark Controller	3,300	1(1)
3(2)	20,000	Consolidated Electrodynamics	1,300	2
6(2)	27,000	International Tel. & Tel.	None	None
1	3,400	I-T-E Circuit Breaker	6,000	1(1)
1(1)	5,500	Litton Industries	1,800	1(1)

Continued on page 24

Mitchel, Schreiber Admit

Mitchel, Schreiber, Watts & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, on Aug. 8 will admit **Joseph A. Palmich** to general partnership and **Anna H. Watts** and **Elsa B. Schreiber** to limited partnership. Mr. Palmich will acquire a membership in the New York Stock Exchange.

Alfred Laurence Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Allen R. Barrett, Gerald F. Laughlin, Brooks Reed, and Hugo P. Brink have joined the staff of Alfred D. Laurence & Co., 201 Southeast First Avenue.

Continued from page 23

Funds' Portfolio Policies More Aggressive

policies on the part of fund managements. Boeing, Douglas, United and Lockheed were sold. In the latter issue 2 managements liquidated, National Aviation closing out its entire commitment. On the other hand, Bendix and Aerojet-General found only buyers. The latter was newly acquired by National Aviation, Bullock Fund, Stein Roe & Farnham, and the Value Line Special Situation Fund. National Aviation also made a first investment in Benoix, along with Massachusetts Life Fund. General Dynamics was newly bought by Tri-Continental (25,000 shares) and by the Bullock Group, with National Aviation making an additional commitment.

Building and Construction

Issues in which sellers predominated included American Radiator, Lone Star Cement, Minneapolis-Honeywell, National Lead and U. S. Gypsum. Sellers of American Radiator included Blue Ridge, with a complete elimination, and National Securities-Stock. Lone Star Cement was completely eliminated by Shareholders Trust of Boston, and also sold by Blue Ridge and New England Fund. The issue was bought by Knickerbocker and Mutual Investment Fund. Issues bought without sellers included U. S. Plywood, by Affiliated Fund and Commonwealth Investment; Trane by Fundamental Investors, Wellington (newly), Putnam, United Fund Group, and T. Rowe Price Growth Fund; and Yale & Towne by Pine Street and Axe Stock Fund, who made new acquisitions.

Chemicals

Here the most favored issue was Monsanto, whose buyers included Wellington with 73,500 shares, and Investors Mutual with 4,664 shares. Next favored were Du Pont and Air Reduction, Group Securities Common Stock Fund making a new acquisition of the former. Selling predominated chiefly in American Cyanamid, Hooker Electrochemical, Koppers, Olin Mathieson (eliminated by Investors Mutual and Mutual Investment Fund) and Rohm & Haas (completely eliminated by Putnam).

Containers and Glass

The container stocks presented an approximate stand-off. On the other hand, the glass and fiberglass stocks, with the exception of Libbey-Owens-Ford Glass, were sold on balance.

Electrical Equipment and Electronics

Here the outstanding favorites were ITT and Westinghouse Electric. Investors Mutual acquired 36,400 additional shares of Westinghouse, where there was also a new acquisition of 14,400 shares by Selected American Shares. On the other hand, 20,000 shares of this issue was sold by M. I. T. A mixed attitude was continued from the previous quarter toward General Electric. Square D was completely liquidated by Investment Company of America (50,000 shares) and by Commonwealth Investment (1,000 shares), with no buyers in this issue.

Metals

In the face of weakness cropping out in the price of the red metal, copper issues were fairly well bought. Favored were Anaconda, with National Shares making a new commitment; and American Smelting, purchased for the first time by Lehman Corp. Among the alminum stocks Reynolds Metals encountered particular favor, with Selected American Shares making a new acquisition. On the other hand, Aluminium Ltd. and Alcoa were sold on balance, with chief sellers of the former being United Fund Group and State Street. Alcoa was completely eliminated by the closed-end Carriers & General and National Shares, while Tri also was an important seller.

Office Equipment

IBM, of course, was the "big noise" in this group, following its split and rights offering. Of the 24 managements on the buying side, three made first-time acquisitions, namely Fidelity Fund (with 14,000 shares), Delaware Fund, and Wisconsin Fund. Pitney-Bowes was bought by 2 funds with no sellers. Addressograph-Multigraph and National Cash Register were sold; Lehman, Wellington and Whitehall sharing the latter's liquidation.

Oils

The favorites in this area were Gulf Oil (with Wellington buying 31,000 shares), Socony, and Kerr-McGee, where Wellington made a new commitment of 24,100 shares, with no sellers appearing. Husky Oil was bought by Incorporated Investors to the tune of 51,000 shares, and by Fidelity Fund via a new acquisition of 45,000 shares. Wellington made a new commitment of 76,100 shares in Royal Dutch. Texas Co. elicited the attention of 5 buyers with no sellers.

In the "favorite" Amerada, buyers were slightly outnumbered by sellers; while a predominance of liquidation occurred in Union Oil of California, Sunray Mid-Continent, Shell, Sinclair, Phillips and Louisiana Land. In Phillips, Wellington closed out its commitment of 50,000 shares, as did the United Accumulative Fund with its 25,-

Continued on page 26

Continued from page 23

Changes in Common Stock Holdings of 57 Investment Management Groups

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
2(1)	19,600	Radio Corp.	1,500	1
2	1,200	Sunbeam	2,000	1
1	1,000	Texas Instruments	11,000	1
6(1)	67,800	Westinghouse Electric	20,000	1
3	*23,000*	*General Electric*	*8,000*	*4(1)*
None	*None*	*Mallory (P. R.)*	*19,123*	*3(1)*
2	*1,500*	*Sperry Rand*	*18,700*	*3*
None	*None*	*Sprague Electric*	*3,800*	*3*
None	*None*	*Square D*	*51,000*	*2(2)*
		Finance Companies		
1	1,000	Associates Investment	4,000	1(1)
2	6,000	C. I. T. Financial	None	None
4	17,100	Commercial Credit	None	None
2	8,000	Family Finance	1,500	1
1	8,500	Household Finance	5,000	1
3(1)	37,600	Pacific Finance	None	None
None	*None*	*Traders Finance "A"*	*8,900*	*2(2)*
		Food Products		
2	3,750	Armour	None	None
1	1,500	Best Foods	9,500	1(1)
3	8,400	Corn Products Refining	None	None
2(1)	9,500	General Foods	9,400	2
2	10,800	General Mills	None	None
2(1)	6,500	National Biscuit	None	None
1(1)	9,500	National Dairy	10,000	1
None	*None*	*Swift*	*18,400*	*2(2)*
None	*None*	*West Indies Sugar*	*4,400*	*2(2)*
		Insurance		
1(1)	5,000	Aetna Insurance	500	1
2(1)	1,400	Aetna Life	None	None
1(1)	1,600	Connecticut General Life	400	1(1)
1	1,000	Continental Casualty	8,150	1(1)
3	44,800	Fireman's Fund Insurance	None	None
3	29,445	Great American Insurance	None	None
2	2,700	Hartford Fire	300	1(1)
2(1)	7,500	Home Insurance	22,500	1(1)
1	200	Lincoln National Life	1,000	1
2	3,200	Maryland Casualty	16,000	2(2)
3	3,850	Travelers Insurance	None	None
3	13,650	U. S. Fidelity & Guaranty	3,100	1
None	*None*	*Phoenix Insurance*	*1,900*	*2(2)*
		Machinery and Industrial Equipment		
2(2)	46,000	Air Products	10,000	1(1)
3	5,000	Allis-Chalmers	31,500	3(1)
1	360	American Chain & Cable	1,000	1
9	36,562	Babcock & Wilcox	None	None
2	7,536	Beckman Instruments	471	1
2	4,700	Chicago Pneumatic Tool	14,000	1
2	5,200	Combustion Engineering	20,000	1
3	11,100	Dresser Industries	6,600	2
3(3)	2,800	Foster Wheeler	None	None
1(1)	1,000	Ingersoll-Rand	21,000	1(1)
3	4,000	Joy Manufacturing	None	None
4(3)	12,400	Worthington	3,360	1
1	*12,800*	*Caterpillar Tractor*	*14,000*	*3(2)*
None	*None*	*Cincinnati Milling Machine*	*1,500*	*2(1)*
		Metals and Mining		
2(1)	4,200	Algom Uranium	7,000	1
5(1)	21,200	American Smelting & Refining	2,000	2
6(1)	36,800	Anaconda	None	None
3	4,100	Cerro de Pasco	None	None
4(2)	34,800	Climax Molybdenum	15,600	1
2(1)	6,000	Consolidated Denison Mines	2,500	1(1)
3	17,675	Falconbridge Nickel	None	None
2	15,900	General Cable	1,000	1

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
2	4,000	Inspiration Consol. Copper	9,000	1(1)
2(1)	2,500	Kaiser Aluminum	2,000	1(1)
3	9,750	Kennecott Copper	3,600	3
3	3,250	Magma Copper	6,250	2
2	2,500	Miami Copper	None	None
1	8,000	Phelps Dodge	7,900	1
6(1)	13,555	Reynolds Metals	None	None
2	58,500	Roan Antelope Copper	None	None
3(2)	25,900	U. S. Foil "B"	None	None
2	3,500	Ventures Ltd.	5,000	1(1)
3(1)	*1,600*	*Aluminium Ltd.*	*31,000*	*4(2)*
2	*1,600*	*Aluminum Co. of America*	*12,800*	*3(2)*
2	*6,000*	*Tennessee Corp.*	*7,500*	*3(1)*
		Natural Gas		
2	300	American Natural Gas	31,200	2(1)
2	1,900	Colorado Interstate Gas	3,200	2
1	1,000	Oklahoma Natural Gas	2,000	1
1	10,150	Republic Natural Gas	1,000	1(1)
5	20,900	Southern Natural Gas	17,822	2(2)
1	*2,000*	*Consolidated Natural Gas*	*9,600*	*3*
None	*None*	*El Paso Natural Gas*	*53,000*	*7(2)*
1	*7,000*	*Lone Star Gas*	*18,000*	*2(1)*
1(1)	*5,000*	*Northern Natural Gas*	*15,800*	*2*
1	*5,000*	*Panhandle Eastern Pipe Line*	*15,600*	*3(1)*
1	*1,000*	*Tennessee Gas Transmission*	*8,500*	*2*
3	*8,000*	*United Gas*	*21,000*	*4(1)*
		Office Equipment		
3(1)	5,400	Burroughs	27,000	2(1)
24(3)	58,286	IBM	8,625	4
2	3,000	Pitney-Bowes	None	None
None	*None*	*Addressograph-Multigraph*	*770*	*2*
1	*1,000*	*National Cash Register*	*9,950*	*3(1)*
		Oil		
4(2)	73,100	Atlantic Refining	7,000	2(1)
2(1)	25,000	British Petroleum	24,200	2(2)
3	34,300	Champlin Oil & Refining	2,812	1
4(1)	10,464	Cities Service	1,520	2(1)
1	2,700	Continental Oil	6,000	1
1(1)	10,000	Delhi-Taylor Oil	4,500	1
1(1)	31,750	Getty Oil	1,000	1
9(2)	51,000	Gulf Oil	16,800	5
1	3,500	Home Oil "A"	10,000	1(1)
1	6,500	Home Oil "B"	3,000	1(1)
2(1)	12,100	Honolulu Oil	18,400	2(1)
2(1)	96,000	Husky Oil	None	None
2	2,500	International Petroleum	5,300	2(1)
4(1)	28,201	Kerr-McGee Oil	None	None
2(1)	7,000	Mission Corp.	1,500	1
1	17,500	Mission Development	7,000	1
2(2)	33,500	Monterey Oil	15,100	1
5	35,044	Ohio Oil	74,400	3(2)
3(1)	83,700	Royal Dutch Petroleum	1,600	2(1)
2(1)	6,900	Seaboard Oil	None	None
1	8,000	Shamrock Oil & Gas	2,500	1
2(1)	700	Signal Oil & Gas	3,000	1
5	19,500	Skelly Oil	16,000	3
7(1)	19,200	Socony Mobil Oil	13,500	1
2	5,300	South Penn Oil	None	None
3	4,000	Standard Oil (Ind.)	37,000	3(1)
5(2)	30,400	Standard Oil (N. J.)	20,400	4
3(2)	14,200	Standard Oil (Ohio)	3,000	1
5(1)	25,400	Texas Co.	None	None
2(1)	28,500	Texas Gulf Producing	None	None
2(1)	34,300	Texac Pacific Coal & Oil	None	None
5(2)	*39,400*	*Amerada Petroleum*	*22,300*	*6(1)*
None	*None*	*British American Oil*	*21,500*	*4(3)*
1	*4,000*	*Louisiana Land & Exploration*	*21,700*	*4(1)*
None	*None*	*Phillips Petroleum*	*82,700*	*5(4)*
1	*1,000*	*Pure Oil*	*23,400*	*2(1)*
1	*500*	*Shell Oil*	*9,100*	*2(1)*
2(1)	*5,000*	*Sinclair Oil*	*6,000*	*4(2)*
None	*None*	*Sunray Mid-Continent Oil*	*145,600*	*4(2)*
1	*30*	*Superior Oil (Calif.)*	*760*	*3*
None	*None*	*Union Oil of Calif.*	*28,100*	*3(1)*
		Paper and Paper Products		
7(2)	15,100	Crown Zellerbach	5,800	2(2)
2	1,600	Great Northern Paper	None	None
4	5,300	Kimberly-Clark	None	None
2	33,400	Marathon Corp.	18,000	2(1)
4	30,300	Mead Corp.	2,600	1
4	47,500	Rayonier	30,550	2
4(2)	19,700	St. Regis Paper	40,500	2
2	1,900	Scott Paper	12,800	2(1)
2	3,400	Union Bag-Camp	3,700	2
2	*15,000*	*Container Corp.*	*15,300*	*3(1)*
4(2)	*6,500*	*International Paper*	*20,400*	*6(3)*
		Public Utilities—Electric & Gas		
3	12,000	Arkansas & Louisiana Gas	None	None
4(1)	64,700	Baltimore Gas & Electric	None	None
1	1,000	Calgary Power	9,000	1(1)
2	13,300	Carolina Power & Light	None	None
1(1)	25,600	Central Hudson Gas & Electric	28,300	1(1)
2	2,100	Central Illinois Public Service	None	None
3(1)	26,500	Central & South West	1,000	1
1	500	Cincinnati Gas & Electric	4,600	1(1)
4(1)	14,254	Columbia Gas System	37,000	1
2	5,000	Columbus & So. Ohio Electric	None	None
2	2,000	Consolidated Edison (N. Y.)	None	None
2	2,000	Consumers Power	10,000	2(1)
2(1)	20,000	El Paso Electric	None	None
7	20,365	Florida Power	4,000	1
7(2)	10,800	General Public Utilities	43,874	3(1)
2	2,500	Gulf States Utilities	18,000	1(1)
5(1)	36,240	Houston Lighting & Power	None	None
2	9,500	Idaho Power	3,300	1(1)
2	8,000	Illinois Power	None	None
2(1)	34,000	Interstate Power	None	None
3	8,500	Iowa-Illinois Gas & Electric	2,000	1(1)
3(2)	25,400	Long Island Lighting	None	None
1	21,600	Louisville Gas & Electric	18,000	1(1)
4	20,300	Middle South Utilities	25,400	3
1	29,100	Montana Power	39,100	1
1	3,000	Northern States Power	4,200	1
2(1)	8,500	Philadelphia Electric	None	None
5(1)	45,500	Public Service Electric & Gas	None	None
4	6,000	Public Service of Indiana	10,000	1
1	2,000	Puget Sound Power & Light	7,000	1
3	22,500	Rochester Gas & Electric	83,800	1(1)
2	4,500	St. Joseph Light & Power	None	None
2	33,000	San Diego Gas & Electric	None	None
3	8,000	South Carolina Electric & Gas	None	None
3(1)	27,300	Southern California Edison	2,000	1
4	28,317	Southern Co.	None	None
2(1)	18,500	Southwestern Public Service	9,300	1(1)
2(1)	8,100	Tampa Electric	10,000	1
4(1)	11,000	Virginia Electric & Power	None	None
3(1)	24,400	West Penn Electric	45,788	2
2	1,000	Wisconsin Electric Power	1,320	1(1)
None	*None*	*Dayton Power & Light*	*10,800*	*3*
None	*None*	*Florida Power & Light*	*6,000*	*2(1)*
None	*None*	*New England Electric System*	*21,300*	*3*
1	*4,000*	*Niagara Mohawk Power*	*11,000*	*3(2)*
1	*1,000*	*Ohio Edison*	*6,700*	*2(2)*
2(1)	*26,000*	*Pacific Gas & Electric*	*39,010*	*3*
None	*None*	*Pennsylvania Power & Light*	*31,800*	*2(1)*
1(1)	*6,000*	*Peoples Gas Light & Coke*	*19,600*	*2(2)*
None	*None*	*Potomac Electric*	*14,500*	*2*
None	*None*	*Union Electric (Mo.)*	*17,000*	*2(1)*
		Public Utilities—Telephone		
2(2)	35,000	General Telephone	None	None
1(1)	4,000	Peninsular Telephone	3,000	1(1)
3	*1,300*	*American Tel. & Tel.*	*38,100*	*7(3)*
		Radio, Television and Motion Pictures		
4	41,300	Amer. Broadcast.-Paramount	24,500	3(3)
2(2)	24,500	Columbia Broadcasting "A"	23,744	2
2(1)	12,300	Motorola	3,000	1
2	3,000	Paramount Pictures	7,000	2(1)
2(1)	4,700	Storer Broadcasting	None	None
2(2)	10,500	20th Century-Fox	None	None
1	*500*	*Zenith Radio*	*3,300*	*3(1)*
		Railroads		
4	29,900	Atchison, Topeka & Santa Fe	132,400	2
2(1)	7,600	Baltimore & Ohio	None	None
3(1)	38,300	Chesapeake & Ohio	6,000	2(1)
1	1,000	Denver & Rio Grande	4,000	1(1)
2(1)	2,500	Great Northern	1,500	1
3	54,200	N. Y., Chicago & St. Louis	73,400	2(1)
3(1)	11,800	Norfolk & Western	1,000	1
2	15,000	Southern Pacific	None	None
4	16,550	Southern Railway	21,950	4(2)
4(2)	35,000	Union Pacific	30,000	1

Continued on page 26

Cahill Bloch Smith Gallatin

The firm name of Cahill & Bloch, 11 Wall St., New York City, members of the New York Stock Exchange, on Aug. 1 will be changed to Cahill & Bloch, Smith & Gallatin. H. John Bechler, member of the Exchange, will become a general partner and William de Forest Smith and Margaret de Forest Smith will become limited partners.

City Realty & Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—City Realty and Securities Co. is engaging in a securities business from offices at 363 Fifteenth Street. Officers are Scott Chandler, President; Andrew R. Kjar, Vice-President; and B. J. Rasmussen, Treasurer.

Joins J. A. Overton

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif.—Donald F. Clark has joined the staff of J. A. Overton & Co., 1134 Orange Ave.

Continued from page 24

Funds' Portfolio Policies More Aggressive

000-share holding. Only liquidation occurred in Union Oil of California, chiefly from the Bullock Group, which disposed of 25,600 shares.

Rails

In the carrier group buying managements predominated in Atchison, Baltimore and Ohio (with De Vegh making a new acquisition), Chesapeake and Ohio (by Investors Mutual, Tri-Continental and Fundamental Investors), Norfolk and Western (by Investors Mutual, M. I. T., and Axe "A" Fund), Union Pacific (by M. I. T., National Securities and Pine Street), and Virginian (by Pioneer Fund, National Securities Income, and Institutional Foundation Fund). Sellers predominated in Rock Island, Illinois Central, Kansas City Southern, and Seaboard Airline.

Railroad Equipment

Favored stocks here were Westinghouse Air Brake, in which Blue Ridge made an initial commitment of 10,000 shares, and Pullman with 2 buyers and no sellers. General American Transportation, which has subsequently issued its report showing a good earnings increase, was the group's issue principally sold.

Tobacco

The present crucial smoking-health question was met by a thoroughly divergent attitude by the fund managers. Liggett & Myers and Philip Morris had buyers but no sellers; while sellers predominated in American Tobacco, and especially in Reynolds (Value Line Income Fund, New England Fund, National Securities Stock, Blue Ridge, and Bullock Fund).

The Miscellaneous Issues

Buyers appeared in a number of unclassifiable issues. Good demand developed for American Chicle, Gillette, Hertz, Newmont Mining and U. S. Shoe. Sellers outnumbered buyers in Colgate-Palmolive, Procter & Gamble, Transamerica, and Wrigley. The Blue Chip, Minnesota Mining, had 3 sellers disposing of a total of 4,900 shares, with 2 new buyers, namely Incorporated Investors, and Eaton & Howard Stock Fund, acquiring 12,700 shares.

With Jones, Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Brown A. Thomas has become associated with Jones, Cosgrove & Miller, 81 South Euclid Avenue, members of the Pacific Coast Stock Exchange. Mr. Thomas was formerly with Merrill Lynch, Pierce, Fenner & Beane and prior thereto was with Schwabacher & Co. for many years.

Continued from page 25

Changes in Common Stock Holdings of 57 Investment Management Groups

—Bought— No. of Trusts	No. of Shares		——Sold—— No. of Shares	No. of Trusts
3(1)	5,700	Virginian Railway	None	None
1	10,848	Western Pacific	17,000	1(1)
1	*5,000*	*Chicago, Rock Island & Pacific*	*9,100*	*3(1)*
1(1)	*15,000*	*Illinois Central*	*18,000*	*2(1)*
1	*3,900*	*Kansas City Southern*	*12,600*	*2(1)*
1(1)	*20,000*	*Seaboard Air Line*	*24,100*	*2(1)*
		Railroad Equipment		
2	1,600	American Brake Shoe	1,700	1(1)
1(1)	1,300	American Steel Foundries	5,000	1(1)
1(1)	9,300	General Railway Signal	3,000	1
1(1)	2,300	New York Air Brake	7,500	1(1)
2(1)	6,500	Pullman	None	None
2	6,000	Union Tank Car	18,200	2
3(1)	12,000	Westinghouse Air Brake	None	None
1	*200*	*General Amer. Transportation*	*17,100*	*4*
		Retail Trade		
4	11,600	Allied Stores	None	None
2	3,500	Associated Dry Goods	None	None
1	1,000	City Stores	23,809	1(1)
2	4,000	Federated Department Stores	None	None
2	7,910	Grand Union	3,000	1(1)
2	900	Jewel Tea	None	None
2	9,600	Kroger	3,900	1
2(2)	9,200	Macy (R. H.)	None	None
3(1)	9,500	Montgomery Ward	None	None
2	3,500	National Tea	2,000	1
2(1)	6,000	Woolworth (F. W.)	None	None
1	*4,000*	*May Department Stores*	*15,000*	*2(2)*
2	*4,100*	*Penney (J. C.)*	*10,500*	*3(3)*
2	*32,500*	*Safeway Stores*	*15,200*	*3(1)*
1	*700*	*Sears, Roebuck*	*31,638*	*2(1)*
		Rubber and Tires		
5	15,400	Firestone	None	None
3(1)	5,200	Goodrich	600	1
5(1)	11,986	Goodyear	1,000	1(1)
2	*10,060*	*U. S. Rubber*	*21,900*	*3(1)*
		Steel & Iron		
4(1)	5,100	Allegheny Ludlum Steel	24,600	3(2)
5(1)	17,400	Armco Steel	29,520	3
6(2)	60,700	Bethlehem Steel	50,800	5
1	2,000	Cleveland-Cliffs Iron	1,100	1
1	1,300	Copperweld Steel	21,500	1
1	1,000	Crucible Steel	3,000	1(1)
2	8,000	Granite City Steel	None	None
3(1)	15,100	Jones & Laughlin	14,000	2(1)
5(1)	18,500	Republic Steel	12,500	2(1)
2(1)	1,500	Sharon Steel	1,500	1
7	26,900	U. S. Steel	24,000	2
1(1)	*500*	*Mesabi Iron*	*6,500*	*2(2)*
2	*2,000*	*Youngstown Sheet & Tube*	*9,000*	*3(1)*
		Textiles & Textile Machinery		
8(2)	40,400	American Viscose	500	1
1(1)	3,000	Johnson & Johnson	500	1(1)
1	2,000	Saco-Lowell Shops	100	1
		Tobacco		
2	3,300	Liggett & Myers	None	None
2(1)	8,100	Philip Morris	None	None
2(1)	*5,000*	*American Tobacco*	*10,800*	*3*
2(1)	*4,000*	*Reynolds Tobacco "B"*	*22,500*	*5(2)*
		Miscellaneous		
2(1)	1,800	American Chicle	None	None
2	3,000	American Optical	None	None
1	19,000	Avon Products	160	1
1	7,600	Eastern Industries	744	1
4(1)	73,100	Gillette	5,000	2(1)
1	1,000	Grace (W. R.)	700	1
4(1)	5,500	Halliburton Oil Well Cementing	31,900	4(2)
1(1)	15,000	Hammond Organ	14,500	1(1)
3(2)	15,825	Hertz	None	None
1	200	International Shoe	4,600	1
1	2,600	Murray Corp. of America	23,100	1(1)
2(1)	52,500	Newmont Mining	700	1
1	3,000	Newport News Shipbuilding	8,500	1(1)
2	18,100	Outboard Marine	10,000	2
1	500	Stone & Webster	500	1
2(1)	6,100	U. S. Shoe	None	None
2	*2,500*	*Colgate-Palmolive*	*14,400*	*3(2)*
1(1)	*3,000*	*Emhart Mfg.*	*5,400*	*2(1)*
1(1)	*50,000*	*Filtrol*	*40,700*	*3(3)*
2(2)	*12,700*	*Minnesota Mining & Mfg.*	*4,900*	*3*
1	*1,000*	*Procter & Gamble*	*8,900*	*2*
None	*None*	*Transamerica*	*4,500*	*2(1)*
None	*None*	*Wrigley (Wm.)*	*1,600*	*2*

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York announced on July 23 that 1,973,426 shares (98.7%) of the 2,000,000 additional shares of its capital stock which were offered to shareholders at $60 per share were subscribed for through the exercise of the rights issued to shareholders. The rights expired July 22. The offering was underwritten by a group of investment bankers headed by the First Boston Corporation.

The sale was formally completed on Friday, July 26. From the $120,000,000 proceeds, $40,000,000 will be added to the capital of the bank and $80,000,000 to surplus. With these changes the capital will be increased from $200,000,000 to $240,000,000, and the surplus from $300,000,000 to $380,000,000. Including undivided profits of over $76,000,000, total capital funds of the bank alone will be over $696,000,000: and including the capital funds of the City Bank Farmers Trust Company, approximately $34,000,000, the total will approximate $730,000,000. This total does not include unallocated reserves of the bank of more than $100,000,000.

* * *

Irving Trust Company, New York announces the promotion of Maurice Cusack and Clarence H. Vion to Assistant Vice-Presidents and Eugene J. McCabe to Assistant Secretary.

Both Mr. Cusack and Mr. Vion are associated with the bank's International Banking Division. Mr. Cusack is assigned to the European District and Mr. Vion is concerned with the solicitation of foreign business in New York and New Jersey.

Mr. McCabe is an administrator of trusteeships and escrows in the Corporate Trust Division.

* * *

Bankers Trust Co., New York elected Walter I. Hughes and C. Russel Sigler Trust Officers, George F. Carse and Herman R. Frenzel, Assistant Vice-Presidents and Gerald Guiltinan and Seymour Perkins, Assistant Treasurers.

* * *

John J. Moynahan has been elected Assistant to the President of the **New York Savings Bank, New York** effective Aug. 5. Richard L. Maloney Jr., President announced on July 29.

* * *

The Trustees of the **Dollar Savings Bank of the City of New York** elected Edwin J. Hoskins Vice-President and Comptroller; Robert Weiss, Treasurer; Alice I. Damseaux, Secretary, and Ian D. Smith Assistant Comptroller. It was announced by Robert M. Catharine, Chairman of the Bank.

* * *

The resignation of Mr. Grant Van Sant, Jr., a Director and Executive Vice-President of the **Valley Stream National Bank and Trust Company**, has been accepted with regrets by the Board of Directors, according to an announcement by Mr. George Auslander, Chairman. Mr. Frederick Hainfeld, Jr., President of the **Long Island Trust Company, Garden City, N. Y.**, announced the election of Mr. Van Sant as a Vice-President effective Aug. 16. Mr. Van Sant will be in charge of Branch Operations of the Long Island Trust Company.

* * *

Peter H. Mooney, a Vice-President of the **Cohoes Savings Bank, Cohoes, N. Y.**, died July 25 at the age of 89 years.

* * *

By a stock dividend **The Boardwalk National Bank of Atlantic City, New Jersey**, increased its common capital stock from $1,500,000 to $1,800,000 by a stock dividend effective July 16. (Number of shares outstanding — 18,000 shares, par value $100.)

* * *

T. Philip Reitinger, President of the **Montclair Savings Bank, Montclair, N. J.**, died July 25 at the age of 62. Mr. Reitinger came to the Bank in 1940 as Assistant to the President and became President in 1941. He was formerly investment head of the trust department of the **Guardian Trust Company in Cleveland, Ohio.**

James B. Mercer, Jr., and Nicholas K. Braun were elected Directors of the **City Bank & Trust Co., Reading, Pa.**

* * *

The common capital stock of the **Lincoln National Bank and Trust Company of Fort Wayne, Indiana**, was increased from $2,000,000 to $2,500,000 by the sale of new stock effective July 12; and from $2,500,000 to $3,000,000 by a stock dividend effective July 16. (Number of shares outstanding—150,000 shares, par value $20.)

* * *

Chicago's newest skyscraper is to be a 23 story bank and office building to provide an enlarged home for **Harris Trust and Savings Bank, Chicago, Ill.** Kenneth V. Zwiener, President, announced that the bank's stockholders, at a special meeting held July 24, gave their approval to the building program previously adopted by the board of directors.

The building will be constructed at the southwest corner of Monroe and Clark Streets on properties purchased earlier by the bank.

Mr. Zwiener announced that demolition will start shortly on the two-story building at the south end of the property and on the 16-story building at the corner of Monroe. Various departments of the bank now occupying six floors of this latter building are being moved temporarily to remodeled quarters in the building immediately west of the present Harris Trust Building, which was purchased by the bank last year.

Upon completion of the new structure, scheduled for January, 1960, the bank plans to concentrate all its operations in the first eight floors and basement areas of the combined buildings. The top of the building will be utilized by the bank at the 23rd floor level for the directors' room and guest dining facilities.

* * *

Effective July 16 the **National Bank of Austin, Chicago, Ill.**, increased its common capital stock from $400,000 to $500,000 by a stock dividend. (Number of shares outstanding — 10,000 shares, par value $50).

* * *

Mr. Joseph M. Dodge, Chairman of **The Detroit Bank and Trust Company, Detroit, Mich.**, announced the following appointments made at the Board of Directors meeting July 23.

Banking Department — Mr. Emery J. Gesell, Assistant Cashier to Assistant Vice - President. Messrs. J. William Berns, Rollo G. Fisher, Joseph B. Fresard, Donald R. Mandich, and John B. Watkins to Assistant Cashiers.

Trust Department — Messrs. George B. Hefferan and James F. Simpson, Assistant Vice - Presidents and Assistant Trust Officers to Trust Officers.

Mr. W. Howard T. Snyder to Assistant Trust Officer.

* * *

The Merchants National Bank of Michigan City, Michigan City, Ind. with common stock of $200,000, consolidated with the **Wanatah State Bank, Wanatah, Ind.**, with capital stock of $60,000, consisting of $25,000 common stock and $35,000 of capital debentures. Effective as of the close of business July 13. The consolidation was efffected under the charter and title of "The Merchants National Bank of Michigan City."

At the effective date of consolidation the consolidated bank will have capital stock of $365,000, divided into 36,500 shares of common stock of the par value of $10 each; surplus of $210,000; and undivided profits of not less than $66,487.

* * *

The First National Bank of Kansas City, Mo., increased its common capital stock from $4,250,000 to $5,000,000 by a stock dividend effective July 15. (Number of shares outstanding — 200,000 shares, par value $25.)

* * *

The common capital stock of the **Industrial National Bank of Miami, Fla.**, was increased from $1,035,000 to $1,207,500 by a stock dividend effective July 19. (Number of shares outstanding—120,750 shares, par value $10.)

* * *

Bank of Texas, Houston, Texas, elected Leslie Coleman, President, succeeding George A. Butler, who was named Chairman of the Board.

* * *

The Standard Bank of South Africa Limited, London, England, announced on July 29 that:

The High Court sanctioned, effective July 26, 1957, the Scheme approved by shareholders at the Extraordinary General Meeting held June 19, 1957, to reorganize the capital structure of the bank by:

(1) Cancellation of the uncalled liability of £1 per share on all the 5 million issued shares of £2 each.

(2) To restore the authorized capital to its present figure £17,000,000 by the creation of five billion new shares of £1 each.

(3) To capitalize £160,000 out of share Premium Account and to utilize it in paying up in full 160,000 shares of £1 each which will be allocated to the holders of the previous four million fully paid £1 shares in proportion of one new share for each 25 held.

Thus all shares in the capital of the bank resulting from the provisions of the Scheme, namely, 17,000,000 shares of £1 each, now form one uniform rank.

Roderick Moore Named Gov. of I.B.A.

Roderick D. Moore

Roderick D. Moore, general partner in the investment firm of Branch, Cabell & Company, Richmond, Va., has been elected to serve on the Board of Governors of the Investment Bankers Association of America for a three-year term, beginning with the 1957 Convention of the Association. Mr. Moore is former Chairman and at present a member of the Executive Committee of the Southeastern Group.

Joseph H. Fauset

Joseph H. Fauset, partner in Fauset, Steele & Co., Pittsburgh, passed away July 24.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

As was brought out in the case of price changes over a five-year or a ten-year period, the change in investment income among the more active fire and casualty insurance stocks shows wide variations from company to company. In a general sense it may be said that the units that show the best growth in earnings from underwriting also show better than average results so far as investment income is concerned. There are a few exceptions, but this holds good pretty much through the list, and, of course, appears to come about as a result of outstanding top management. And it is logical that the more astute the top management, the more likely it is that the best available talent will be obtained to operate both portions of the business, underwriting *and* investment.

Of course, other factors enter into the picture, too. In a long bull market in equities such as we have experienced in the current phase, the companies that have concentrated in common stocks have experienced the best growth in investment income. As, by-and-large, insurance company investment managements do little investing in common stocks, except in the better grades of equities, it follows that the growth in income is relatively consistent; they do not seek marginal situations, and hence are not faced with marginal behavior of their investment income.

Another factor that greatly influences the movement in investment income is the growth in the volume of premiums. Naturally, a strong rate of increase in premium volume brings in more funds for investment. Digressing briefly, it may be pointed out that under present abnormal conditions of heavy losses the funds available for losses leave less-than-usual amounts for investment. Many security salesmen hear this plaint from insurance company investment managers when the salesmen offer securities, "No, we have no funds except to pay for losses."

But to return, a company such as Continental Casualty has in recent years experienced a far greater percentage increase in premiums written than other large companies. The following brings out the point:

	Net Premiums Written	Change
Continental Casualty		
1951	$115,657,000	
1955	196,404,000	+70%
Hartford Fire		
1951	$293,924,000	
1955	343,446,000	+17%
Ins. Co. of No. America		
1951	$203,505,000	
1955	269,685,000	+33%

Whether we use a percentage or a dollar basis for the increase, Continental Casualty showed a greater increase in premium receipts and, on the basis of asset size, Hartford ranks first among stock companies; Insurance Co. of North America third; Continental Casualty eleventh. (Alfred M. Best Co. data, Dec. 31, 1955.) The percentage gain in investment income for these three companies was:

	5 Yrs.	10 Yrs.
Continental Casualty	86%	307%
Hartford	55	200
Ins. Co. of No. Amer.	44	170

Thus growth in premium volume begets growth in income from investments.

Income from investments is important to the insurance stockholders as almost all companies gear their dividend payments to that portion of a company's profit. There are abnormal periods when this is a less faithful rule-of-thumb than usual, such as at present when dividend payments by many companies are held down because of the need to conserve cash to pay losses; but over the longer range it is the general practice. Thus the company that shows the greater gains in investment income may well be expected to increase dividend disbursements more frequently.

The following schedule gives the five-year and the ten-year increase in income from investments of a number of leading fire and casualty companies:

	5 Yrs. to 12/31/56	10 Yrs. to 12/31/56
Aetna Fire	34%	109%
Agricultural	22	60
American Ins.	40	190
Bankers & Shippers	53	185
Boston Insurance	23	143
Continental Insurance	26	114
Federal Insurance	59	192
Fidelity Phenix	31	119
Fire Association	35	147
Fireman's Fund	56	210
Firemen's Insurance	28	197
Glens Falls	35	119
Great American	60	190
Hanover Ins.	36	89
Hartford Fire	55	200
Home Insurance	23	160
Ins. Co. of No. America	44	170
National Fire	41	109
National Union	57	203
New Hampshire	35	85
Northern Ins.	50	220
North River	23	83
Pacific Fire	53	179
Phoenix Ins.	32	78
Providence Wash.	—3	37
St. Paul Fire	38	148
Security Ins.	25	62
Springfield Fire	18	96
United States Fire	35	127
Westchester Fire	24	135
Aetna Casualty	55	176
American Reinsur.	46	213
American Surety	13	51
Continental Casualty	86	307
Fidelity & Deposit	42	107
Massachusetts Bonding	42	82
Seaboard Surety	60	193
U. S. Fid. & Guaranty	45	268

Bennett-Gladstone Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Herb N. Jones and Robert Roth have been added to the staff of Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard.

Joins Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Berwyn W. McDowell has become affiliated with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

Continued from page 3

Credit and Interest Rates In the Investment Boom

time and again been a source of strain in the market place.

In recent months, long-term security issues have increased sharply, and the amount of new financing in the market so far in 1957 has set a new record. Current capital demands have apparently been augmented by a backlog of financing carried over from last year; it seems that more and more corporate treasurers and municipal authorities are reconciling themselves to higher borrowing costs and are now ready to pay the going rate. Also, the recent improvement in business sentiment may have prompted borrowers to finance themselves now rather than risk even tighter credit and higher interest rates later.

In addition to the backlogs, new investment activity continues high and rising. A greater volume of public utility issues is a natural corollary of mounting capital expenditures in this industry. Petroleum companies have also borrowed heavily in recent months; the Suez crisis greatly stimulated shipbuilding and tanker loans, and acquisitions of new leases in Venezuela have recently added to requirements for funds. Demands for financing domestic pipelines, service stations, and other facilities have also been heavy. Finally, in view of the huge rise in the short-term indebtedness of business in 1955 and 1956 and the corresponding decline in business liquidity, the purpose of some long-term financing may well be to refund bank loans and redress current positions.

Pressure on the Treasury

The economic forces that have boosted requirements for long-term financing have also contributed to the debt management problems of the Treasury. In the latter part of 1956, Federal spending especially for national defense began to climb sharply — partly because of rising costs—thereby reducing the already modest cash surplus. Toward the close of the year, developments in the Middle East made it necessary for the International Monetary Fund to redeem a large volume of Treasury notes in order to raise funds for the support of sterling. Early in 1957, redemptions of savings bonds stepped up rapidly as holders switched into other and more attractive investment outlets. Also, many holders of maturing Treasury securities, pressed by liquidity problems, spurned the Treasury's exchange offerings, and unusually large amounts were turned in for cash.

All this resulted in a substantial drain on the Treasury's cash resources, and the Treasury had to raise unexpectedly large amounts of cash in the first half of the calendar year; previously, it had been the pattern for the Treasury's cash requirements in the January-June period to be met out of the disproportionately large tax receipts that normally accumulate at that time. This year, the Treasury borrowed close to $6 billion of new money in the first half of 1957 and another $3 billion was raised through tax anticipation bills at the start of the second half. These large operations required considerable support from the commercial banking system.

Federal Reserve Policy

Meanwhile, the Federal Reserve so far in 1957 has continued its generally restrictive credit policy. While the money market eased appreciably for a few weeks early in the year, this was followed by renewed tightness. With loans still high and reserve positions under rather constant pressure, the commercial banks have of necessity been more selective in their lending operations.

Underlying this policy of continuing credit restraint is not only the persistence of the investment boom but also the fact that business sentiment has remained generally optimistic in 1957, and, indeed, seems to have strengthened further in recent months. This is all the more remarkable since some of the business news has been discouraging. Yet, despite the sag in home building, cutbacks in household appliances, disappointing automobile sales, price drops in some commodities, and a lower rate of steel output, industrial production has eased only mildly and employment has set new records. Strength in general business has thus added to the financial needs of the economy while at the same time making continued credit restraint necessary to curb price inflation.

Continuing Pressures Ahead

The broad forces that have influenced the credit markets so far this year are likely to continue active through the remainder of 1957. Business sentiment remains strong, capital outlays are well sustained, and inflationary forces are still at work. In addition, the Treasury faces further and presumably greater problems of debt management this year, and this may well have an important bearing upon the climate of the market place.

Business Prospects—The general trend of business appears as the most important single factor in the credit situation. After some seasonal slack in production during the summer months, a renewed increase in the fall seems a good guess. As yet there is little evidence of strength sufficient to give the economy another major upward thrust, but confidence is buoyant, and most corporate managements, as well as many economists, expect an upturn in the latter part of 1957.

At the same time, the economy is likely to feel the continued strength of basic inflationary forces. Indeed, inflation psychology seems widespread; the prospect of a rising wage-cost-price level is being accepted complacently and is even welcomed in some quarters. Even if the physical volume of business activity later in the year should not differ much from the present, therefore, dollar measurements may well be expanded as a result of the wage increases now under way, bringing renewed price rises not only in steel, but probably in automobiles and other industries as well. Should inflationary forces take hold in a substantial way, demands for funds would continue to grow and would accentuate the forces tending toward tighter credit and higher interest rates.

Assuredly, this prospect is not a foregone conclusion. A host of conflicting forces are at work at all times in our complex economy. Rising costs may be moderated by higher productivity, and price advances may be tempered by competition. Moreover, business expectations may shift rapidly, bringing cutbacks in investment programs and additional liquidation of inventories. Such a course of events would materially reduce and might even reverse the upward pressures upon interest rates. It must be recognized, however, that present signs do not herald such a development in the near future; on balance, it is doubtful that economic prospects will decline so rapidly as to bring about a sustained easing either of credit policy or of basic market pressures in the months ahead.

Further Demands for Capital—This outlook for relatively tight credit for the time being is supported by the sustained high demands for investment funds. The new issue calendar is still relatively heavy and there is little doubt of the strength of the investment boom through 1957 at least; capital programs and spending forecasts indicate that business managements intend to keep the rate of outlays on plant and equipment on a high level, while the steady expansion in outlays on public works makes for a rising volume of municipal issues over time. The huge volume of new issues already placed assuredly raises a question whether the pace of long-term financing will be maintained through the remainder of the year; the volume of new issues may well recede in the months ahead, and this could bring some temporary relief in the market place, but the basic situation continues to be one of demands for capital substantially exceeding the amount of new savings.

Financing the Government—The Treasury has now entered the second half of the calendar year, a time when financing requirements are always heavy. In addition to a cash deficit of $6 billion, the Treasury faces maturities of certificates and notes in the amount of $24 billion, about $9 billion of which are held outside the Federal Reserve banks. The wide choice of high-yielding investment outlets in the corporate, municipal and real estate mortgage field incident to an investment boom greatly complicates the Treasury's problems of refinancing maturities as well as of raising new money. Investors have no incentive to add to their Government portfolios, except for the placement of short-term funds. As a result, Treasury offerings other than of the shortest maturity have met with cool reception in the current market and are unlikely to return to favor as long as the investment boom continues.

Also, some $13 billion of savings bonds of Series F, G, J and K are outstanding; these are held mainly by large investors sensitive to the greater attraction of other investment opportunities, and most of the recent upsurge in premature redemptions have been in these issues. Finally, there are some $41 billion of Series E and H savings bonds outstanding, and while turn-ins here have not been a big problem so far, the overhang of so large a debt payable on demand is not a reassuring prospect in an environment where materially higher yields on other obligations provide a constant inducement to redeem Governments in advance of maturity.

Although the problems of debt management are formidable, it would be misleading to suggest that the Treasury faces a crisis or, as some have put it, that investors are losing confidence in the Government's credit. If investors today are reluctant to buy Treasury securities, it is not because of any question regarding the credit of the United States Government but because more attractive yields are obtainable on other high-quality obligations. Nor is inflation psychology of significance for institutional investors, as demonstrated by their continuing purchases of fixed-income securities. The Treasury's difficulties are due not to loss of faith in its securities but to the state of the market.

Even under present market conditions, the Treasury could doubtless compete successfully with other borrowers if the debt management authorities were willing to offer a long-term marketable bond at a sufficiently attractive yield. However, such a decision would depress the prices of outstanding Government bonds, accentuate uncertainties in the credit markets, stimulate another advance in interest rates generally, and raise the carrying cost of the public debt. This is a hazard the Treasury has so far been unwilling to incur; the last issue of a marketable long-term Treasury bond was in June 1955. A short while ago, moverover, the Treasury decided against making an exchange offering to holders of Series F and G bonds designed to discourage redemptions. All this indicates that the Treasury is not inclined to undertake long-term financing in the current economic environment.

Consequently, prospects are that the Treasury, to meet its cash requirements in the coming months, will rely heavily upon short-term securities, including tax anticipation issues due in March and June 1958, and perhaps also larger weekly offerings of Treasury bills. Such a financing program may be expected to provide outlets for corporate tax accruals and other near-term investment needs, but as in the past the commercial banks will presumably be required to increase substantially their holdings of Treasury securities, at least until funds accumulate with the ultimate purchasers. A prerequisite, therefore, is that the Federal Reserve make available to the member banks the reserves needed to support the Treasury's operations, and this confronts the credit authorities with some basic decisions of policy.

Decisions for Credit Policy—With the dollar volume of output hitting new peaks and costs and prices still pressing higher, the economic environment indicates no basic departure from a policy of credit restraint. However, since the Treasury at the same time will find it necessary to rely heavily upon the commercial banks for its new money financing, the Federal Reserve will be required to supply the banking system with sizable reserves. This need not, of course, bring about a relaxation of tight credit; the Federal Reserve may make funds available in so chary a fashion as to keep reserve positions under fairly continuing pressure. Also, seasonal factors, such as rising money in circulation and higher bank loans, tend to tighten the money market in the latter half of the year.

Essentially, however, the Treasury borrowings supported by bank credit are in conflict with the aims of a restrictive general credit policy and tend to make more troublesome the moderation of inflationary pressures. Such borrowings inevitably add to the liquidity of the banking system and of others, and thus provide some escape from the operations of Federal Reserve policy. The history of most of the postwar period amply demonstrates the difficulty—if not impossibility—of controlling credit when the economy is amply endowed with liquid assets.

Some Questions for the Future

Much of the present tightness is the credit and capital markets clearly reflects the fact that the economy as yet seems to see no end to the sustained business and investment boom. In such an environment, the record of the past fews years raises some difficult and disquieting prospects over the long-term. One problem is that our economy in the years ahead may face a persistent excess of capital requirements above what can be financed out of new savings. Also, it has become increasingly evident that financing needs are being enhanced importantly by rising costs and prices; there are signs that this trend is not merely a corollary of a business boom but a more basic fixture of our modern economy. Furthermore, the Federal Government and the Federal Reserve authorities are under constant pressure to relieve the problems of certain groups of borrowers by making funds available under conditions which would minimize the efficacy of an anti-inflationary policy, add to the problems of Treasury financing and increase the hazards to the long-range growth of the American economy.

Prospective Needs for Capital—The crucial question is how long our great capital goods boom is likely to continue. Over a period of years, investment outlays tend to be a fairly volatile component of our economy and projections based on current conditions could well prove misleading in the years ahead. Nevertheless, the weight of present evidence suggests that demands for capital funds may remain substantial over the longer-term.

One broad class of capital spending which is clearly in a rising trend is public works. Needs are large and backlogs in some categories are still growing more rapidly than can be met by current programs. Moreover, construction costs are rising faster than any other major cost in our economy. All this spells growing capital requirements in this sector for many years ahead.

In another area of investment, namely, residential building, the probabilities are that a peak has been passed some time ago. The high rate of building of recent years has materially reduced housing backlogs, and large outlays for modernization and repairs have further diminished the urgency for new home building. In addition, family formation has been declining for a number of years and this has apparently come to be reflected in fewer new demands for homes. Also, higher prices of new houses have without doubt contributed to the drop in buying interest. Some added support to housing, however, will be provided by the Federal Government, which is under strong and constant pressure to boost activity through public housing, slum clearance, and direct financing.

Perhaps the most critical—and least predictable — factor in the outlook is the trend of business spending on plant and equipment. Powerful forces are at work to keep the level of such spending high and rising; these include expansion of population and markets, the contribution of scientific research, pressures to cut costs, and growing needs for capital investment abroad. But restrictive factors are also present, such as the emergence of excess capacity, the inflated costs of construction and equipment, the squeeze on profit margins in some industries at least, and the greater difficulties and costs of financing. As of now, the sustaining forces are uppermost; there are few signs of any sizable easing of capital spending by business in the immediate future. Where the greater weight will lie over the long run is impossible to say; however, since investment programs in many industries have their sights firmly fixed upon goals many years in the future, it probably would require a substantial change in the economic climate to bring about so strong a contraction in business capital outlays as to reduce materially the volume of total investment—public and private—in our economy.

Costs and Prices—In addition to the direct effect of the investment boom upon the volume of financing, demands for credit have been enhanced by rapidly rising prices for capital goods, a tight labor market and a business environment particularly conducive to the inflationary spiral. As prices climb, larger amounts are

needed to finance building and construction, industrial equipment, inventories and receivables; the cost of Government also tends to mount significantly, especially when so much of Government spending is on defense and public works. Moreover, as the recent record has reaffirmed, financing requirements in an inflationary environment tend to advance more rapidly than the flow of savings.

Unfortunately, despite the generally level course of the wholesale price index for industrial products so far in 1957, the wage-cost-price spiral has not been halted; indeed, there seems little prospect that it will come to a halt in the predictable future. It has become quite clear by now that this spiral owes its existence to the widely accepted practice of raising wages, including so-called fringe benefits, far more rapidly than the estimated 2% annual long-term growth of productivity in the manufacturing sector of our economy. Moreover, not only is the untrend in production costs steeper than can be offset even by current huge industrial investment and research expenditures, but in addition the incorporation of escalator clauses and cost-of-living adjustments in the long-term wage contracts of key industries seems to assure a continuation of this trend, and hence of a generally rising price level, for the years ahead, especially since a continued tight labor market is in prospect.

We are thus confronted with an inflationary trend which is a new and distinctive feature in our economy and which was not present in other big investment booms, such as that of the 1920's. Furthermore, unlike the inflationary waves of the early postwar years and again of the Korean war, which eventually subsided as accumulated demands were filled, the wage-cost-price spiral gives every indication of becoming a permanent institution. If this is so, its effects will certainly add to the financing requirements of business and government; very conceivably, it could also reduce the incentive to save. Thus the inflationary spiral may well keep alive and possibly broaden the gap between capital needs and savings flow. And—it may be pointed out—by thus intensifying the competition for funds, the wage-cost-price spiral is exacting a toll from public and private borrowers which is perhaps not generally realized, but is nonetheless real.

Money and Credit Management—Sustained high investment outlays in a basically inflationary environment would raise the prospect of continuing pressures in capital and credit markets. Market forces, if allowed to operate, may be expected eventually to redress the situation, since interest rates would presumably advance to the point where the flow of savings is adequately stimulated and demands for funds are cut back. In the process, however, unless the inflationary trend tapers off, markets would very likely experience repeated strains and stresses, and some borrowers would face vexing problems in raising funds. Coping with the inflationary spiral thus appears as the most urgent task of an effective national economic policy seeking to foster long-term growth.

Easier Credit Pressures

Unfortunately, current indications are that Government policies will be exposed to insistent pressures in the opposite direction, namely, to ease the shortage of funds and hold down the level of interest rates by means designed to strengthen the inflationary trend. These pressures are already apparent. Credit restraint has been the object of growing criticism in recent months on the part of home builders, mortgage borrowers, many businessmen, and state and local governments; proposals are being pressed to ease credit for classes of borrowers considered particularly worthy of relief. Also, some members of Congress are disturbed over the effects of higher interest rates upon the carrying cost of the Treasury debt. Finally, some apprehension has been voiced that creidt restraint may keep the economy from achieving its maximum growth potential.

In seeking relief from tight credit, some would have the Federal Reserve relax its policy of credit restraint and provide additional reserves to the commercial banking system, thus enabling the banks to make loans more freely and presumably also easing interest rates. Unfortunately, such action would mean a corresponding increase in the money supply and thus in the inflationary potential of the economy, especially since it would come at a time when many businessmen and investors are becoming increasingly convinced that the price trend over the years is upward.

The second line of approach propounded by advocates of easy credit is to have the Treasury provided generous funds to favored classes of borrowers. The Treasury is already being requested to make more credit available for direct lending on homes, public housing, slum clearance and the like, and each year brings larger appropriations for the Small Business Administration. As ever rising construction costs boost the financial needs of state and local governments, the Federal highway program and the proposed school aid program are virtually certain to be followed further requests that the Federal Government either assume a larger share of the burden or help provide state and local governments with the needed funds.

The consequences of such pressures upon the Treasury are likely to aggravate the already formidable problems of debt management. Coupled with widespread discontent at the present high levels of taxation and the uptrend of Government spending in general, these demands for additional Treasury funds seem to reduce even further the possibility of achieving a substantial Treasury surplus. At the same time, as long as the investment boom continues, the Treasury will find few investors interested in the purchase of Treasury obligations unless the yields are made much more competitive than at present. With the maturity of the Government debt declining, the Treasury in that event would be forced to place increased reliance upon bank credit to provide the necessary financing and refinancing. The Federal Reserve, in turn, would be called upon to provide the banks with the reserves they need to assist the Treasury's operations. This path, too, would thus lead to an increase in the money supply and to mounting exposure of our economy to inflationary pressures.

A Concluding Comment

Thus, the basic questions for our economy today may be put as follows: Can we halt the wage-cost-price spiral which has gradually given our entire economy an inflationary complexion? Are we willing to allow market forces to bring investment outlays more closely in line with the available supply of savings? Can we resist pressures to use the commercial banking system, either directly or through the Treasury, in an effort to substitute bank credit for savings capital?

These issues are very real; they are more important today than at any time in our modern economic history. For obviously, reliance upon bank credit to meet the shortage of savings is no more than a temporary expedient. As inflation gathers momentum, financing requirements will increase apace, the problems of the Treasury will worsen, the demands upon the commercial banks will expand further, and borrowers will find they need more and more funds to match the rising costs of capital goods. Nor is this approach likely to achieve a lower level of interest rates, except possibly in the short run, since mounting financial requirements will necessarily add to the pressures upon the supply of credit and investment capital.

These problems are not unique to the United States; they are shared to a greater or lesser degree around the world, in underdeveloped and in mature economies as well. The common risk is that market forces will be prevented from balancing the demands for capital with the supply of savings, that bank credit will be relied upon to help bridge the gap, that the consequent increase in the money supply will augment and accentuate inflationary forces, that inflation will become a permanent feature of our way of life, and that its pace will accelerate.

This analysis is presented not as a forecast of an inevitable course of future events but as a description of the problems we may face if the investment boom continues vigorous and the inflationary spiral persists. Much depends upon the decisions of businessmen, labor union leaders and government. There are a few signs that some capital programs are being stretched out; a deferment of some outlays at this time would not only provide relief to the capital markets but also enhance the chances for sustainable economic growth in the years ahead. Unfortunately, there is no evidence at all of greater moderation in the upward trend of wage rates; the broad gap between the advance of labor costs and the rise of industrial productivity; which is at the root of our present inflationary problems, shows no signs of narrowing. Here business managements and labor union leaders carry a joint social responsibility of the highest order.

Offers Suggestions

Equally important are decisions in the field of public policy, including fiscal policy. One clear lesson is that under conditions of active business and booming capital outlays, a larger budget surplus is essential, sufficient to meet sizable demands upon the Treasury's cash position without large new borrowings. Another conclusion is that our tax structure needs to be so revised that it will stimulate savings; the present philosophy underlying our tax system, namely, that consumption rather than savings should be encouraged, is clearly inappropriate to the needs of a rapidly growing economy. In essence, we must realize that inflation, no less than deflation, interferes with sound and sustainable economic expansion, even though its initial hardships may be less dramatic and some off its byproducts — such as higher wages and prices—may appear more attractive at first blush.

Perhaps the key to our problems is to fit economic decisions to the realities of our times. Our public policies all too often reflect ways of thought and motivations inherited from the Great Depression, now a generation past, when the issues of the day were under investment, credit contraction, declining prices and widespread unemployment. These basic problems are the opposite of those that prevail today and have prevailed for most of the postwar era. If the interests of economic growth over the long term are to be served, we must finally rid ourselves of aims and policies inherited from the depressed environment of a quarter century ago and energetically reshape public decisions so as to meet the challenge of the present and of the future.

Public Utility Securities

By OWEN ELY

Commonwealth Edison Company

Commonwealth Edison supplies electricity to the city of Chicago and a large suburban area, together with other sections of northern Illinois. A population of 6,100,000 is served, and the company does about two-thirds of the electric business in the state. The heavy industrial business in the Chicago area is balanced by farm customers in the outlying sections. Residential and rural sales furnish 34% of electric revenues, commercial 29%, industrial 27% and miscellaneous 10%.

Commonwealth Edison, along with other big metropolitan utilities, has not generally been considered a growth utility. However, Chairman Willis Gale in a recent talk before the New York Society of Security Analysts pointed out that the company's suburban area has been growing very rapidly. Today the company has 830,000 customers outside of Chicago or 60% more than a decade ago. During the last five years kwh sales outside the city have gained 11% per annum compared with an 8% rate for the entire electric industry (excluding sales to the AEC).

Regarding the continued growth of the area served, Chairman Gale states: "We have the utmost confidence in the long run possibilities for business in the Chicago area." The industrial development of the Chicago metropolitan area has been leading the country. In the postwar period 1,200 firms have established new or branch plants in northern Illinois; these firms are employing about 200,000 people and spend nearly $18 million a year for electricity. The development of the St. Lawrence Seaway, the Lake Calumet Harbor and the O'Hare Airport should continue to keep Chicago the transportation hub of the United States.

Generating plants now have a total capacity of about 3.9 million kw. Present reserve capacity is on the low side and during the recent hot spell it was necessary to reduce voltage for a short time, although no customers were without service. The projected construction program for 1957-60 will add four steam units with a capability of 1,120,000 kw., and the 180,000 kw. Dresden Nuclear Power Station is also scheduled for completion in 1960. Thus by the end of that year the company will have generating capability of 5.3 million kw., providing an estimated reserve of about 9% (based on the 1961 anticipated summer peak load).

The company is also building a 90-mile, 345,000-volt tie line to connect with the American Gas & Electric System. Initially this tie should be worth some 200,000 kw. of generating reserve, it is estimated.

Installation of the additional capacity should further increase generating efficiency. The number of BTUs required to generate 1 kwh. has declined from 14,000 in 1945 to less than 12,000 in 1956 and by the end of next year should drop to 11,200. The company should be able to save some $4 million in fuel costs annually by the anticipated increase in efficiency.

The Nuclear Power Station, the country's largest, is being built on a fixed-price contract with General Electric for $45 million but according to the "New York Times" the delay of several years in beginning construction will cost GE some $20 million more. Thirty million dollars of the $45 million is to be paid by Commonwealth and the remaining $15 million by the Nuclear Power Group (of which Commonwealth's share would be $2.8 million, to be charged off to current operating costs on a five-year basis). On the basis of Commonwealth's major cost of $35 million, the overall cost of producing atomic power is estimated at 7.5 mills per kw.—about the same as for new coal-fired plants. However, if it was necessary also to pay capital costs on the $15 million contributed by the Nuclear Power Group as well as on the $20 million estimated additional cost to be incurred by GE, the kwh. cost of power would be well in excess of 1 cent a share.

The company's postwar construction program approximated $1 billion during the 11 years through 1956, and an estimated $650 million will be spent in the four years 1957-60. The company will have to raise about $280 million new money to take care of this construction work. While it expects to do some $25-50 million financing this fall, there has been no decision as yet as to the exact nature of the financing except that it will not be common stock. With a long-term debt ratio of around 55%, the company plans in future to issue a moderate amount of preferred stock in lieu of common, possibly up to 10% of total capital (last October it sold the first issue of non-convertible preferred). The common equity may eventually be reduced to around 35-40%, providing some additional earnings leverage.

While Commonwealth is fully protected against increases in fuel costs by fuel adjustment provisions in all rate schedules, nevertheless it is feeling the pinch of higher costs. The management on July 23 filed an application with the Illinois Utility Commission for a $25 million rate increase, equal to an average increase of 7½% in rates, and equivalent to 60 cents a share on the common stock. In recent years the company has been earning about 5.3% on invested capital, as reported by Standard & Poor's.

The company is using the declining balance method of computing depreciation for income tax purposes. Deferred taxes are being normalized in the income account and are placed in a balance sheet reserve. The company at present expects to exclude this reserve from the rate base. The company will be entitled to a "fair value" rate base although details of rate base and rate of return involved in the rate application are not yet available.

Chairman Gale estimates earnings for the calendar year 1957 at $2.85 compared with $2.72 in 1956 and $2.62 in 1955. While it is impossible to say how long it will take for the Commission to act on the rate application, he estimates that the company should earn over $3 a share in 1958, barring a decline in business. A portion of the 60 cents a share from the proposed rate increase will probably be absorbed by higher costs and by the decline in the interest credit on construction.

Commonwealth Edison has been selling recently around 39 and based on the $2 dividend the yield is 5.1%. The stock is selling at 13.7 times the estimated earnings of $2.85 for this year.

With Security Planning

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Vernon J. Holsclaw, Herman Klepak and Jane E. Kircher have been added to the staff of Security Planning, Inc., Harvey Bldg.

Continued from page 6

Tracing the Regulatory Pattern Of the Federal Securities Laws

amend our rules after notice and opportunity for hearing, and public comments where required by the Administrative Procedure Act or, if necessary, to request Congress to enact appropriate legislation.

"No Sale Theory"

For example, the Commission is now giving serious consideration to what is known as the "no sale theory" which has been embodied in our Rule 133.[13] That rule provides in effect that where a vote of stockholders is taken to authorize a statutory merger, consolidation, reclassification of securities, or a transfer of assets, such transaction is deemed not to involve a sale to the stockholders for the purposes of the registration provisions of the Act. In other words, if the requirements of the Rule have been complied with, new securities delivered to the stockholders in such situation need not be registered.

The rationale behind the rule is that since there is no volition by the individual stockholder to accept or reject the stock in his individual capacity, there is no sale to him.

This rule has been used as a subterfuge to avoid registration. Indeed many of the securities sold in the "boiler rooms" I mentioned are being sold in reliance on such devices.

For example, in one case X corporation exchanged 1,750,000 shares of its stock for all of the shares of Y corporation. Y's sole asset was an oil field valued by the Y corporation at about $2 million. The X stock was not actually transferred to Y, but instead the deal included an arrangement for the stock to be turned over to the President of X with the understanding that Y was to be paid only $2 million. The securities were sold at greatly inflated prices resulting in a net profit to the sellers of about $5 million over and above the $2 million that Y received.[14]

The Commission and the courts, accordingly, have taken the position that where the merger is merely a device to effect a public distribution of securities without registration, the rule is not applicable.

In another case where the stockholders in the purchased corporation signed authorizations for an officer of the issuing corporation to sell their stock, the Commission sought an injunction to prevent the sale of the stock. The court sustained the Commission's position that the rule had no application in the situation where the exchange "was but a step in the major activity of selling the stock."[15]

Consideration is now being given to proposals for modification of the rule.

There are certain other exemptive provisions in the Act which I have not mentioned but time will not permit a discussion of all of them. Before leaving the matter of exemptions, however, I wish to make one thing clear. All of the exemptions I have mentioned are from the registration provisions. There are no exemptions of any kind from the anti-fraud provisions. Any sale of a security which is effected by fraud, misrepresentation or half-truth is a violation of the statute.

What Is a Security?

Questions of exemption are not the only difficult problems we face under the Securities Act. Even after 22 years of Commission administration of the Act we are still confronted with novel questions as to what is or is not a security. We have now pending a case involving variable annuities.[16] Not long ago we obtained a consent decree in connection with the sale of certain types of mortgage notes.[17] Recently a group of food dealers associations submitted a brief to the Commission contending that trading stamps should be held to be securities.

As I have indicated, the registration and disclosure provisions of the Securities Act of 1933, were concerned with the *distribution* of securities. The following year Congress met the problem of *trading* in securities. There are two principal branches of the securities industry relating to trading in securities—the stock exchange market and the so-called over-the-counter market. When Congress came to legislate in 1934, it thought primarily in terms of the stock exchange and passed the second of our statutes, the Securities Exchange Act of 1934.[18] This statute required registration of the stock exchanges themselves and also registration of all companies the securities of which were listed for trading on an exchange.

In regulating trading, of course, it is none of our business whether the market goes up or down so long as there is no market manipulation. We have no power and no desire to interfere with the free interplay of the forces of supply and demand. But we are vitally concerned that all price movements result from the free judgment of buyers and sellers trading in fair, honest, and orderly markets.

This statute, incidentally, was the one that created the Securities and Exchange Commission. During the preceding year the Securities Act had been administered by the Federal Trade Commission. By this statute the governmental functions under both statutes were entrusted to the newly created SEC.

In addition to requiring registration of securities which are listed on exchanges, the Act also includes regulatory provisions relating to companies issuing such securities, which have become very important. One of these provisions requires the reporting of all purchases or sales by an officer, director, or 10% stockholder of his company's stock, and provides for the liability of such persons to the corporation for any profits that might be made on short swing transactions within a six-month period.[19] While this provision is intended to prevent the improper us of inside information, no such use need be shown. The provision is a prophylactic one and subjects all such profits to being disgorged regardless of the circumstances.

Improving Proxy Procedures

Another important provision is the one which makes it unlawful to solicit proxies in violation of the rules of the SEC.[20] The Commission has adopted a comprehensive regulation which has been amended from time to time to correspond with our increased experience in administering it.[21] The basic purpose of the regulation has been to afford shareholders the material facts important to any analysis of matters presented for their vote. One writer has said that this Congressional action "has probably had a more beneficial effect on corporate democracy in America than any other of the numerous weapons in the SEC arsenal." The Commission has designed its rules "so as to make the proxy device the closest practicable substitute for attendance at the meeting."[22]

Our proxy rules, like the provisions of the Securities Act, are basically disclosure and anti-fraud rules. They require disclosure of material facts pertaining to any matter which is to be voted upon and prohibit false statements or half-truths. I would like to emphasize the fact that in all proxy contests our position is an impartial one. We do not care, of course, which side in a proxy battle is the winner. That is a matter for the stockholders to decide. But we are concerned that whatever they decide should be on the basis of adequate and truthful information. Our rules provide for the submission to us of proxy material before it is disseminated. In most cases offensive material will be deleted or revised in accordance with our suggestions. However, if material goes to the stockholders in a misleading condition the courts have not hesitated to grant our requests for injunction to prevent the voting of proxies so obtained.

Of course, here also there are those who try to cut corners. Only recently an insurgent group waged a proxy battle against the management of a large industrial company. They did not make false statements. They just asked questions such as: "Where is the Pension Fund money?" "Why does the management withhold an accounting from its stockholders?" "Isn't it odd that the company wrote off $4,000,000 of assets that were 'no longer in existence'?" There was no basis for any of these insinuations. When we applied to the court for an injunction, the defendants piously said that they had no intention of charging the management with impropriety or misconduct. They were just asking questions. It is almost unnecessary to add that the courts had no difficulty in finding that these questions violated the prohibitions against false and misleading statements.[23]

In another case an injunction was obtained where the identity of one of the participants in the solicitation was concealed.[24]

Two years after the passage of the Exchange Act, Congress enlarged the statute to provide more detailed regulation of the over-the-counter segment of the securities industry. It provided for registration of brokers and dealers, gave the Commission authority to deny or revoke registration in appropriate cases, and gave the Commission certain regulatory and visitatorial powers over them.

Praises NASD

It might be noted that at this stage one vital difference between the two segments of the industry was that of self-discipline. The exchanges, under the general aegis of the Commission, have powers to regulate and discipline their own members for conduct "inconsistent with just and equitable principles of trade."[25] There was no comparable provision for members of the over-the-counter industry. Accordingly, in 1938 the Act was again amended to provide for the formation and registration of associations of securities brokers and dealers.[26] To be registered an association must meet certain standards and its rules must be designed to provide for disciplining of members in order to "promote just and equitable principles of trade."[27] Only one association has ever been registered, the National Association of Securities Dealers, but that one comprises in its membership the large majority of all securities dealers. This association's efforts have been of great value in preventing unlawful practices by the over-the-counter industry.

Not long ago a broker-dealer who had been expelled from the Association, took an appeal to the SEC which has the power to review such disciplinary actions. The basis of that expulsion was what we colloquially call "churning." Two elderly ladies had placed with this firm their life's savings of about $50,000 for investment. The firm did nothing so crude as to convert or appropriate any of the funds. But the salesman, having obtained the trust and confidence of these uninformed customers, persuaded them repeatedly to sell certain securities and purchase others. All of the purchases were of legitimate worthwhile securities. But each time a security was bought or sold, the firm and the salesman made a commission. Over a six-year period, there were over 600 transactions in a total amount of over $1 million. Several stocks were bought, sold, bought and sold, over and over. To make a long story short, the firm's commissions on this $50,000 account amounted to over $24,000 and the net capital in the account decreased by an equivalent amount. The Commission not only sustained the firm's expulsion from the Association, but made a further investigation on the basis of which the firm's registration was revoked.[28]

Public Utility Holding Act

In 1935, Congress passed the Public Utility Holding Company Act.[29] It was more than merely a disclosure and anti-fraud statute. Based upon an extensive investigation made by the Federal Trade Commission and by Congressional committees, the Act sought among other things, to reorganize the corporate structure of the electric and gas utility industries. The investigation had shown an alarming degree of concentration of control, particularly in the electric industry. As an example of this, three holding company systems were found to exercise effective control over 45% of the total electric productive capacity in the country. Some 15 systems controlled 80%.[30]

This concentration of control was made worse by the fact that the holding company systems were assembled largely in helter-skelter fashion as opportunities arose without relation to sound operational principles. They were also financed by complex capital structures which bewildered security holders and made the systems, particularly the holding companies in the systems, dangerously susceptible to trouble upon a small decline in earnings of the underlying operating companies. To a large degree it was evident that these complexities were the result of the desire by management, and in several notable instances of one key personality in management, to exercise maximum control with minimum investment, and to sell securities to gullible members of the public by giving them deceptive labels.

The response of Congress to the facts disclosed by the studies was not simply to abolish holding companies, although there was strong support at the time for such a drastic solution. The method actually adopted was to require holding companies to reduce themselves to single integrated systems, plus certain other properties meeting rather strict standards, and to reorganize their capital structures so as to eliminate complexities and inequities.

Section 11 of the Act, which embodies these principles, early received the label of "death sentence" and, indeed, many of the most famous and infamous holding companies were unable to meet the requirements of Section 11 and so have passed out of existence. But "death sentence" is on the whole a misnomer. Many holding companies continue to exist. Dozens of them exist free from Holding Company Act regulation by virtue of exemptions granted by the Commission as provided for in the Act. But some 23 holding company systems, representing roughly 20% of the privately owned electric and gas utility industry in the country, remain registered under the Act and subject to its regulation. While some of these may qualify for exemption, we expect to be in the business of regulating electric and gas utility holding companies for the indefinite future.

An example of a holding company system which has met the integration and simplification standards of the Section 11 is the Central and South West system, which serves electricity to a large part of the State of Texas. It does this through two subsidiaries—one of which is the West Texas Utilities Company, headquartered in Abilene, Texas, and the other is Central Power and Light Company, headquartered in Corpus Christi. These companies and their parent are subject to our regulation under the Act with respect to all of their financing and other strictly corporate activities. I should emphasize, what I assume is known, that we have no rate regulatory authority or responsibility. Rates are regulated either by the states or by the Federal Power Commission.

In addition to this registered holding company system, Texas has utility companies which are free from the Act's regulation by virtue of exemptive orders granted by the Commission. An example is Texas Utilities Company solely a holding company, which does business through three operating subsidiaries—Dallas Power & Light, Texas Electric Service Co., and Texas Power & Light. We do not regulate any of the activities of such companies, but we do have a continuing duty to reexamine their entitlement to exemption if there should be any material change in their situations.

There is not time to describe in any detail the immense task accomplished by the Commission in this corporate and financial reorganization of our utility industry. The job was done with none of the loss of values to security holders which the opponents of the Act had gloomily forecast, and the experience has been that many an operating company, when finally separated from a parent corporation, has found new vigor to expand to meet our rapidly growing fuel and power needs. Those companies which remain subject to the Act appear to be in good health and progressing successfully.

Trust Indenture Act

The next major securities enactment by the Congress was the Trust Indenture Act of 1939. This is actually an amendment to the Securities Act of 1933 to provide

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13 17 CFR 230.133.

14 *Great Sweet Grass Oils, Ltd.*, Securities Exchange Act Release No. 5483, April 8, 1957.

15 *S.E.C. v. Micro-Moisture Controls*, 148 F. Supp. 558, 562 (S. D. N. Y. 1957).

16 *SEC v. Variable Annuity Life Insurance Co. of America, et. al*, District Court, District of Columbia, Civil Action No. 2549-56.

17 *SEC v. Mortgage Clubs, Inc.*, District Court, District of Massachusetts, Civil Action No. 57-385-W.

18 15 U. S. C. 78.

19 Section 16, 15 U. S. C. 78p.

20 Section 14(a), 15 U. S. C. 78n (a).

21 17 CFR 240.14a. See Aranow and Einhorn, *Proxy Contests for Corporate Control* (1957), Introduction by J. Sinclair Armstrong, former chairman of the SEC.

22 Loss, op. cit. *supra* pp. 523, 525.

23 *SEC v. May*, 134 F. Supp. 247 (S.D.N.Y. 1955) affirmed 229 F. 2d 123 (C. A. 2, 1956).

24 *Ostergren v. Kirby*, N. D. Ohio, No. 33, 393 (1957).

25 Section 6(b), 15 U.S.C. 78f(b).

26 Section 15A, 15 U.S.C. 78o-3.

27 Section 15A(b) (7), 15 U. S. C. 78o-3 (b) (7).

28 *Johnson & Co. v. SEC*, 198 F. 2d 690 (C.A. 2, 1952); 231 F. 2d 523 (C.A. D.C. 1956).

29 15 U. S. C. 79.

30 Federal Trade Commission, *Utility Corporations*, 70th Cong., 1st Sess. S. Doc. 92, Part 72A, pp. 37-44.

additional investor protection in the case of bonds, debentures and other debt securities issued under certain trust indentures. It also requires that bonds be issued under an indenture if more than $250,000 is issued in any one year.

In 1940 there were two Congressional enactments — the Investment Advisers Act[31] and the Investment Company Act.[32] The Investment Advisers Act was designed to give the Commission some measure of regulation over those persons who sell investment advice. Apart from general provisions to prevent fraud or deceit upon their customers, there are other particular provisions such as those requiring the adviser to disclose to his client any interest in the transactions recommended, prohibiting profit sharing arrangements, etc. Of course, as in any other area, there are various kinds of investment advisers. There are those who are expert investment analysts who make a careful study of corporate balance sheets, market trends, etc. There are also the other kind who have some very ususual methods of predicting the fluctuations of the market. One of the most intriguing to my mind was the investment adviser who had a very special and secret formula. Part of this formula was based—and I quote directly from the Commission's opinion — "on the daily comic strips, in which he believed there existed a code which, when interpreted by him would reflect future movements of certain securities on the stock exchanges."[33]

As I pointed out, the Holding Company Act brought under Federal regulation a particular segment of American industry. The Investment Company Act brought another group of companies under Federal regulation. However, the latter Act provides a somewhat different pattern. The Investment Company Act is intended to curb abuses found to exist within investment companies. One of the most flagrant of such abuses was the practice by those who controlled such companies to use them for their own purposes. These insiders often transferred to the companies for cash their own investments which had turned out to be unmarketable or of dubious value, used the companies to guarantee their personal undertakings, and borrowed from the companies without any collateral or adequate security. I would like to make it clear that the statute does not undertake to control the direction of investment. This remains the responsibility of the management. The Act is essentially preventive.

Investment companies and trusts must register with the Commission and full disclosure must be made to their security holders of the financial condition and activities of the companies. Underwriters, bankers, and brokers are limited to a minority of the management. Management contracts must be submitted to security holders for approval. Transactions between the companies and the insiders are prohibited or strictly regulated. To enforce these provisions the Commission has a wide authority including the power to obtain from the Federal courts decrees enjoining insiders from continuing to act as officers or directors if they have violated their fiduciary duties.

Cites Two Examples

In one case the Commission had recourse to the courts to unseat a management which had obtained control of a large investment trust with a nominal investment. The management then proceeded to dispose of the marketable investment securities in its portfolio to acquire control of a speculative race-track enterprise. It is not insignificant that the management then elected themselves as officers of the race-track at high salaries.[34]

In another case the Commission brought an action to remove the management of a tier of investment companies, alleging in its complaint that the defendants had been managing the portfolio of the companies for their personal interests and so as to yield no income to the publicly held preferred stocks. Prior to final disposition of the action the defendants proposed a plan of reorganization which the Commission regarded as fair and equitable whereby the publicly held stocks were exchanged for stock in another company not affiliated with the defendants which took over the assets of the defendant companies. This plan also required certain amendments to the charter of the new company to incorporate certain protective features for the benefit of the public investors. The plan was a voluntary one but virtually all of the public security holders availed themselves of the offer and received readily marketable securities which were substantially equivalent in value to their old preferred stocks and accrued dividends.[35]

This, then, is a summary of the six acts administered by the SEC. In addition the Commission has certain advisory duties relating to corporate reorganizations under the Federal bankruptcy act but time will not permit a discussion of these important duties. I cannot resist the opportunity, however, to mention that the Federal judges have expressed publicly— in some instances in their formal opinions — their appreciation of the assistance rendered to the courts by the SEC in these difficult and complex reorganizations.

Restored Confidence

In the early part of my talk, we went back to 1933 to a time when our people had lost confidence in the capital markets as a place to invest their savings. It might be of interest to compare those times with the situation today. At that time, new issues of corporate securities amounted to about $400 million annually. Today it averages over $10 *billion*. At that time, the value of all shares listed on the New York Stock Exchange was $34 billion. Today it is about $200 billion. In my opinion, this restored confidence in our capital markets is due in a large measure to the reliance by public investors on the vigorous enforcement of the securities laws, and that restored confidence, in turn, has resulted to a great degree in our present prosperity, employment, national income and national productivity.

The importance of maintaining confidence in our securities markets cannot be stressed too strongly. Few of us are unaffected by these markets. The 90 million Americans holding life insurance policies have an indirect interest in these markets through the great investment in the bonds and stocks of corporations held by insurance companies. Beneficiaries under pension funds and holders of investment company shares have a similar interest. And the families of eight and a half million citizens who directly own shares of corporations are vitally concerned. Our corporate wealth is very broadly held. The securities markets provide the mechanism by which business raises the capital required to serve the economic needs of the people. They provide a mechanism by which industry may be broadly shared by the people. Ownership of American industry has become, through the operation of the capital markets, freely transferable. Investors are willing to place their savings at the disposal of industry, and thus the capital so essential to the nation's economic progress is provided.

In conclusion, I wish to emphasize that we, at the Commission, are eager to assist the members of the bar with their problems. They should feel free to write to us if they think we can be of service. We welcome communications and try to give a prompt and helpful reply. Or if they are in the vicinity of Washington or of any of our regional offices, we invite them to come in and discuss their problems with us personally.

Nearly 20 years ago the late Judge Jerome Frank, then Chairman of the Commission, spoke to another Bar Association[36] and what he said then is true today: "We on SEC," he said, "try to approach business problems with informed understanding of business needs and ways. . . . We do not stand on false dignity. We recognize that, although we have official titles, we are still human beings and do not know it all. We do not wear frock coats, and we do not think frock coatedly. We and those with whom we confer think out loud and in the vernacular: we and they put our feet on the table and unbutton our vests. We want to understand and be understood. Ours is a practical problem, a problem to be worked out, under the requirements of the statute, with businessmen. We seek decisions which will carry out the law and yet be workable. We think that that is the best means of bringing about cooperation between Government and business."

31 15 U. S. C. 80b.
32 15 U. S. C. 80a.
33 *Frederick N. Goldsmith*, 30 SEC 563, 564 (1949).

34 *Aldred Investment Trust v. SEC*, 151 F. 254 (C.A. 1, 1945).
35 *SEC v. Home & Foreign Corp. et al.*, S.D. N.Y., C.A. No. 80-382, 1952.

36 Association of the Bar of the City of New York, May 5, 1940.

C. F. Alexander Opens

FT. WORTH, Texas—Charles F. Alexander is engaging in a securities business from offices at 2811 Race.

Forms Buchholz Investment

OKLAHOMA CITY, Okla. — Buchholz Investment Co. has been formed with offices at 1010 Northeast 14th Street, to continue the investment business of Albert W. Buchholz. Officers of the new company are Albert W. Buchholz, President; Claudia Buchholz, Vice-President and William A. Buchholz, Secretary-Treasurer.

H. Detchel Opens

Hyman Detchel is engaging in a securities business from offices at 220 Broadway, New York City.

Family Fund Inv.

Family Fund Investors, Inc. is engaging is a securities business from offices at 10 East 49th Street, New York City. Officers are Angelo R. Leto, President; Edward B. Gibson, Jr., Vice-President; Rudy M. Eyer, Secretary-Treasurer.

Form First Maine Corp.

(Special to The Financial Chronicle)

PORTLAND, Me.—First Maine Corporation has been formed with offices at 84 Exchange Street to engage in a securities business. Burton M. Cross is President and Treasurer.

Fla. Secs. Underwriters

MIAMI BEACH, Fla. — Florida Securities Underwriters, Inc. has been formed with offices at 927 Lincoln Road to engage in a securities business. Officers are Leonard Blauner, President; Harry Marcus, Secretary; and Leila Blauner, Vice-President.

Reuben Rose Opens

Reuben Rose is conducting a securities business from offices at 25 Broad Street, New York City.

Railroad Securities

Railroad Consolidations in Light of St. Louis-San Francisco-Central of Georgia Ruling

Action of Division Four of the Interstate Commerce Commission in backing the control of the Central of Georgia Railway by the St. Louis-San Francisco Railway appears as a major step looking to further railroad consolidations. Of great importance, in the opinion of rail financial observers, is the more liberal viewpoint adopted by the Commission Division. This also has been more emphatically demonstrated in the recent decision allowing the Boston & Maine Railroad to issue debenture bonds and scrip for the outstanding preferred. The latter plan previously had been turned down by the Commission.

In the 'Frisco decision, Division Four turned down the petitions of the Illinois Central Railroad and the Seaboard Air Line Railway for joint control of the Georgia Central. Before bankruptcy the latter road had been controlled by the Illinois Central. However, in the reorganization proceedings, this control was eliminated. Not unexpectedly, the recent decision ruled the existing rates and routes linking the Georgia Central with some 35 other carriers must be maintained. 'Frisco has agreed to these stipulations.

Probably the next big consolidation question will involve the Erie Railroad, Delaware, Lackawanna & Western Railroad and the Delaware & Hudson Co. Of course, studies looking to the merger of the Great Northern Railway and the Northern Pacific Railroad now are underway. The latter consolidation would create a new vast rail system providing substantial operating economies through joint use of facilities and terminals. A plan for the amalgamation of these roads was abandoned in the late 1920s when the I. C. C. ordered the "Northerns" to give up the jointly controlled profitable Chicago, Burlington & Quincy as part of the merger.

Some progress already has been made in the use of paralleling and duplicating facilities of the Erie and the D. L. & W. One of the first steps has been the establishment of joint use of the Lackawanna terminal and ferry service in New Jersey. This eventually resulted in substantial "out-of-pocket" savings to both roads. Further joint operations are expected to be initiated, particularly in upper New York State.

One merger which seems to have been dropped for some time is that of the Chicago, Milwaukee, St. Paul & Pacific and the Chicago & North Western Railway. No progress along this line is anticipated until the North Western again can show some earning power. In this respect the management of the North Western has been working to rehabilitate the property and improve operating efficiency.

Many of the larger roads, including the New York Central and Pennsylvania Railroad, likely will continue the already started trend of absorbing leased and guaranteed lines to simplify their capital structures.

With respect to the 'Frisco, it owns more than 64% of Georgia Central's 337,236 common and 170,417 preferred shares outstanding. The purchase price of these controlling shares amounted to $20,525,965.

In addition, according to the I. C. C. decision, 'Frisco will take control of the Georgia road and its seven subsidiaries by purchasing all the road's common and preferred stocks tendered by minority stockholders within 60 days after the Commission issues its final order. The ruling held the the 'Frisco must buy up the common at $56 a share and the preferred at $82 a share.

The acquisition of the Georgia Central will push the eastern terminal of the St. Louis - San Francisco to the Atlantic Seaboard and extend the trackage it controls by about 40%. The two lines meet at Birmingham, Ala., and will enable the new system to serve both the Southeast and the Southwest. 'Frisco now serves the gulf Coast ports of Mobile, Ala., and Pensacola, Fla., and runs some 5,000 miles between Birmingham and the states of Tennessee, Arkansas, Missouri, Kansas, Oklahoma and Texas. Central of Georgia operates about 1,800 miles between Birmingham, Chattanooga, Tenn., and Savannah, Ga. It is the latter port which promises to give further growth to the new system. Industrialization of this district has increased considerably in recent years.

D. E. Murphy Elected Governor of IBA

COLUMBUS, Ohio — Dennis E. Murphy, Vice-President of The Ohio Company, has been elected a Governor of the Investment Bankers Association of America, representing the Ohio Valley Group. He succeeds James R. Burkholder, Jr., Almstedt Brothers, Louisville, Ky, Mr. Murphy, who was elected for a three-year term, has served on various committees of the Ohio Valley Group and in 1954 was Chairman. He also has been a member of the legislation committee and has held other national IBA posts.

Dennis E. Murphy

He entered the banking business in 1923 with the old First Citizens Trust Co. Since 1938 he has been in charge of the underwriting of all issues of state and municipal bonds and bonds of other political agencies throughout the United States which have been purchased by The Ohio Company.

The announcement was made by Jack E. Nida, Merrill Lynch, Pierce, Fenner & Beane, Chairman of the Group. The Group serves central and southern Ohio, including Cincinnati, Columbus, Dayton, and all of the State of Kentucky.

Correction

In the "Financial Chronicle" of July 25 it was reported that Flock, Long, Poole & Vanadore had been formed to engage in the securities business from offices at 311 Church Street, Nashville. We are informed that a securities business as such is not being conducted. Frank Poole is President of American Investors Corporation, and T. Fontell Flock, W. L. Vanadore, and Hubert Long are officers associated with him in distributing shares of the American Investors Corporation, which are being offered to the public.

Continued from first page

As We See It

tion, and there are a good many, including some politicians, who like to plan for and boast of still further increases in this magic figure. Fewer observers take the trouble to look carefully and intelligently into the composition of this measure of the volume of business done or to try to reach an understanding of what they find.

Changes Reflected

A number of highly important changes are reflected in this mass of data. Take for example, the role of government. As almost every schoolboy knows by now, the market value of the output of all goods and services in this country in 1956 (GNP) came to about $415 billion. It was only a little more than one-fourth of that amount in 1929. In each of these years capital consumed in the production of these things was set down at about 8% or so. This left roughly 92% of the total amount as a net gain from the year's endeavor. Of this "net national product," as it is called in technical language, amounting to some $380 billion in goods and services, government in 1956 took some $80 billion, or somewhat more than 20%. In 1929 there was some $96 billion left after deducting capital consumption, and, of this, government took about $8.5 billion, or less than 9%. In other words, government in 1956 took about 20 cents out of every dollar of net output, while its take in 1929 was less than 10 cents and in both cases the figures are exclusive of interest on debt.

But there are other evidences of the vast growth in the part played by government in the economic affairs of the nation. In 1929 wages and salaries paid throughout the country totaled a little more than $50 billion, of which government paid a little less than $5 billion, or roughly 10%; in 1956, the wages and salaries bill came to about $227 billion, of which government's share was nearly $38 billion, or more than 15%. Of course a very small part of this wage and salary bill in 1929 was incurred by the military establishment — around 6% — while in 1956 roughly 25% was "military." But even so some $28 billion of a total of around $38 billion in 1956 had nothing to do with the military establishment. Civilian government requisitioned a much larger part of the manpower of the country in 1956 than in 1929—12% against 9%.

But even these figures fail by a wide margin to tell the whole story of the growth in the activities and the functions of government between 1929 and 1956. In 1956 government took some $12 billion from the public in the name of "Contributions for Social Security." In 1929 the figure was negligible. Of these and other funds available to it government made what is known as "transfer payments" amounting in 1956 to some $17 billion. Transfer payments are payments made that have no reference to services performed during the year when they are paid. Such payments in the name of social security now about equal collections in the name of social security. A very large part of such collections in the past went into trust funds and were immediately invested in Treasury IOU's, the funds then being used for whatever came to hand.

Some other changes that have taken place over this span of time are about equally interesting and significant. "National income" in 1929 came to a little less than $88 billion, of which some $51 billion, or considerably less than 60%, took the form of wages and salaries and the like; of the $344 billion of "national income" in 1956 some $241 billion, or about 70%, was in the form of compensation of employes. This left about 30% to cover all profit, dividends, rent and other forms of income in 1956; in 1929 some 42% was left after payment of wages and salaries.

Workers vs. Investors

This great rise in the part of the current product that goes to the wage earner and in lesser degree to the salaried employe occurred during a period when certain factors, mainly, of course, higher wages and shorter hours, have continuously forced business to lay out larger and larger amounts for labor saving devices and the like. One would expect in these circumstances that those who saved and provided the machinery and the other equipment required for this type of production would be getting a larger rather than a smaller part of the net product. Such, however, is not the case, and the fact that there is so little left over for the investor is certainly not unrelated to the current shortage of investment funds and higher interest rates.

It is this concatenation of circumstances that lends peculiar interest, to say the least, to the question of how the future is to work itself out. Wages are still rising, the unions are growing more and more restrictive and there is no indication that there is to be an end to the monopoly which makes these things possible. At the same time saving is not growing at a rate sufficient to provide the capital equipment which the higher wages and advances in technology demand. It may be that higher interest costs, plus greater discrimination on the part of lenders, may presently lead to greater conservativeness in building new plant and the renovation of old despite the competitive urge—not to say the necessity—to do so, but in any event it is not easy to see how industry can continue to pay higher and higher wages—certainly in the absence of outright inflation which could not fail to bring itself to an end within a brief span of time.

Continued from page 9

Challenging New Dimensions for American Foreign Operations

such as cotton and wheat. We were a debtor nation. We used exports of food and raw materials to pay interest and to return capital which had been invested in the development of the United States by foreign investors.

After World War I, we became a creditor nation. We needed relatively few products from abroad. Therefore, our imports were limited. However, we continued to try to sell overseas. Our manufactured goods became increasingly attractive to foreign customers and consumers. As a result, the foreign exchange situation became acute in the late twenties and continued so until after World War II.

With much of the world looking to the United States for capital goods and the supplies necessary for reconstruction after World War II, the foreign exchange situation became **really** critical. The Marshall Plan and its successors, providing economic aid and military expenditures abroad, bridged the gap. The $52 billion dollars expended by the United States during the last 12 years has enabled our friends abroad to procure from us what they needed. Now, as we are forced to spend more dollars over-seas for raw materials, it is quite likely that there will be a gradual lessening of the acute dollar scarcity paralleling the increase in our dollar payments to the rest of the world.

U. S. Exports Challenged By U. S. Manufacturing Abroad

Meanwhile, a new dimension has been added to our foreign operations. Prior to the first World War, our direct investments abroad are reported by the Department of Commerce to have been $2.7 billion. In 1929, they approximated $7.5 billion.

By the end of 1957, U. S. investments overseas are likely to be $32 billion, producing profits at the rate of about $4 billion annually. It has been estimated that American-owned subsidiaries and branches abroad are manufacturing close to $40 billion worth of goods in 1957. This is three times the value of manufactured goods exported from the United States last year. In the case of our own company, the ratio of production abroad to exports from the U. S. will be 5:1 in 1957.

This is one of the vital new dimensions in foreign operations — investment and production abroad as the principal means of penetrating foreign markets rather than by traditional export sales programs.

The excellent study of American investment and operations in Latin America made by Messrs. Pizer and Cutler of the Department of Commerce is the most comprehensive analysis which we have today on the effects of American investment and American production in foreign economies. It would be a most constructive step in aiding American businessmen and our government to fully understand what is really taking place abroad if the Department of Commerce could undertake promptly a similar analysis for the entire free enterprise area of the world. This should include research not only on the output of American-owned operations abroad but also on the output of licensees or other overseas affiliates of American parent companies.

It is clear that this new dimension of private investment and production abroad creates a factor in overseas market penetration which did not exist earlier in this century. Competition encountered today is more likely to come from American-owned or American-sponsored production abroad than from American exports.

Conditions Favoring New Trend

What are the other circumstances which are creating such an increase of interest in foreign operations amongst American investors and businessmen today.

First, many growth potentials abroad are greater than those in the United States. We think of Great Britain as an advanced, venerable, highly organized economy. Nevertheless, out of 14 million British homes wired for electricity, less than 10% use electric refrigerators — as compared with 94% in the United States. Only 18% use washing machines contrasted with 85% here.

In the United States, we take running hot water for granted. Yet, in countries such as France and Germany, it is doubtful if over 30% of the dwelling units have any supply of running hot water. No wonder sales of consumer durables are increasing more rapidly in such economies than they are here.

Second, the reduction in infant mortality and the lengthening of the span of life made possible by modern pharmaceutical and medical knowledge are skyrocketing populations, particularly in the less developed economies. We live and must plan in a period of "exploding" populations when the number of our potential customers is being revised upwards repeatedly.

Thirdly, Nationalism brings not only increased import barriers and restrictions, but also local industrialization and the urbanization of populations. As more and more people become employed in cities at regular wages, in more or less skilled occupations, growing middle-class markets are created. In some countries overseas, this is a unique development — close to being revolutionary. It is another vital cause for the increasing purchasing power of foreign markets.

We are also in an era of petroleum politics. With oil and natural gas being used more and more to produce electricity, and with automobiles, trucks, tractors and aircraft providing the modern means of transportation, petroleum is becoming the key source of energy to power the progress of the world.

Petro-politics was involved when the Egyptians bottled up the Suez Canal. This action has had a deep effect on the thinking of the free enterprise area. There is no doubt that the development of petroleum resources in South America, West Africa, the Sahara and other areas will be stimulated and expedited as a result. Adequate petroleum resources in Brazil, Argentina, Australia or West Africa could harden local currencies or strengthen such economies dramatically.

With this brief review of the environment and circumstances within which foreign operations must be planned and conducted today, let us examine what these conditions impose upon the three fundamentals of every business enterprise — men, materials and money.

Discusses Three Fundamentals

Men are the most important element in any enterprise. One can have fine bricks and mortar, machinery and inventories, warehouses and other facilities, but without a dedicated team and an energetic, inspired leadership little may be accomplished.

Personnel and personnel practices in overseas operations warrant mentioning two brief points.

First, staffing foreign operations with nationals of the country in which they are located, if possible, to provide a more economical operation and probably a more satisfactory one.

Second, when a man moves from domestic into foreign operations, a most important quality for him to possess is tolerance and sympathetic understanding. American methods which work successfully—in fact are essential—in our highly competitive economy, may seem quite as inappropriate in another country as did some of the actions of the proverbial Yankee in King Arthur's Court. Our job as managers is one of adaptation and combination, not one of imposition of American ideas and methods, without regard for local custom, tradition and conditions.

Prior to World War I and in the decades between the two World Wars, a relatively few American companies established subsidiaries abroad. A far more usual concept of foreign market penetration was an Export Manager located in an obscure office, assisted by a couple of clerks, a stenographer and a shipper. In years when business was good in the United States, he had great difficulty getting merchandise for his foreign customers. In years when business was bad at home, he was under pressure constantly to liquidate surplus inventories abroad. Usually, he was a third, fourth or fifth echelon executive with little or no contact with the president of his corporation and no participation in long-range planning with respect to product design, merchandising and sales strategy, company financial policies, etc. There are still American companies today which follow this concept of foreign selling but, fortunately, they are becoming fewer and fewer. If you wish to peddle goods in Puerto Rico, Venezuela, Cuba, or the few other countries which have ample dollars, then, perhaps, you can be satisfied with this approach. However, under today's conditions of overseas trade and international

economic development, it is as obsolete as the horse and buggy.

Modern Foreign Operations Manager

Today's complex international factors have created a new type of executive responsible for his company's overseas operations.

A modern Manager of Foreign Operations finds himself to be a market and financial analyst today, a negotiator of prospective manufacturing licenses tomorrow, a member of a foreign board of directors representing his company's minority stock interest, and a consultant—in the management engineering sense—to licensee and subsidiary company managements. He must be a financier, manufacturer, sales executive, personnel director, economist, negotiator and diplomat. More probably, he is a capable analyst, planner and administrator with proven ability to coordinate into an effective team specialists in all of the various functions of business.

He is responsible for exporting American-made goods to countries which have sufficient dollars to buy them and also, for exporting similar goods made abroad to countries which can buy only with other currencies.

He finds himself responsible for the welfare of wholly-owned foreign subsidiaries for which he implements the full range of management functions. He must assist local operating management in arranging adequate finance, personnel development, management succession, provision and maintenance of economical production facilities, production schedules, sales objectives, cost control, and, finally, personnel training and development including the bringing of local nationals to the home office and factories of the parent company for training and instruction.

In relationship to overseas licensees, he exercises similar management functions—but often in an **advisory** rather than a direct manner.

Even this brief definition of the functions of a modern Manager of Foreign Operations makes it clear that he can only discharge these responsibilities well with the closest collaboration of his top management in integrating the domestic planning, policies and organization of his company with its program for foreign operations. He must be in constant contact with his company's senior executives on finance, manufacturing, selling and research — which means that the modern Manager of Foreign Operations needs to be a member of senior top management.

How can he know whether or not to plan for another subsidiary operation abroad unless he knows his corporation's future financial program.

With today's rapid dissemination of news and of American publications to foreign businessmen and bankers, any change of price, model or sales approach announced to the American public through domestic advertising is known to most overseas distributors and their bankers within a maximum of three weeks. A well-planned foreign selling program can be upset completely by announcement of a domestic sales campaign of which foreign operations was uninformed when it launched its own plans.

The top managements of the leading American corporations, which have attained the greatest success in foreign operations, recognize these principles with respect to personnel and organization.

With respect to "materials" — the second fundamental in any foreign enterprise, — the same basic considerations apply as in the United States. There must be an adequate, economical source of supply of raw materials, transportation, an appropriate labor force, proper channels of distribution and all the similar other elements necessary for success.

Suggests New Source of Capital

So let us consider the final—but most important — element, "money."

Until now the $52 billion of aid and military expenditures made by the United States overseas during the last 12 years has provided the life blood which stepped up the level of employment and the rate of production around the world to record heights. As employment increased, — as more wages were earned,—as purchasing power grew larger, the desire for a better way of life was fed. The demand so created requires record capital investments not alone in the United States but in the other major countries of the free enterprise area as well. So today, we find that substantially every more advanced country is outspending its rate of savings. Capital has grown scarce and interest rates have increased materially. With the worldwide desire for more goods and better living, capital will continue relatively scarce and interest rates relatively high for a considerable period to come.

Under these conditions, how do we finance new foreign operations? How does American industry take advantage of the desire for its know-how and abilities to establish or increase local production abroad? How can economic aid be made available through the enduring relationships of private endeavor and private enterprise?

The manufacturing license agreement is a partial answer because such arrangements utilize the existing basic facilities of the overseas licensee. New capital is required primarily for special tooling and inventories of the newly licensed products. However, in many countries abroad where money is tight and expensive, it may be more difficult for local enterprise to raise capital funds than for an American company to do so at home.

There is, I believe, another very simple answer, merely awaiting implementation by Washington officials, through a mechanism which has already been established. I am referring to the use of the funds obtained from the sale of our commodity surpluses to foreign countries for local currency under Public Law 480.

A few weeks ago Secretary of State Dulles proposed to the Senate Foreign Relations Sub-Committee that a means be found for providing true non-military economic aid, on a long-range basis, through an Economic Development Fund. The sequence of action envisaged by Public Law 480 can provide the mechanism which the Secretary of State was seeking.

Under our agricultural support programs, enacted by the Congress, the Commodity Credit Corporation purchases certain surplus commodities from our farmers. Today an inventory of over $7 billion worth of such commodities is in storage.

To move these commodities to nations in need of them, the Congress enacted Public Law 480 authorizing the Department of State to make sales agreements with friendly foreign countries under which the purchase price is paid in the buyer's currency. Contracts totalling almost $3 billion have been negotiated.

Utilizing Par Value Credit

When the United States Government is credited with these local currencies, the International Cooperation Administration is authorized to loan such currencies back to the country from which they came or to keep a portion for on-the-spot official American use. The Administration has a policy guidance that 25% of the amounts loaned back should be channeled to private enterprise, but actual experience appears to indicate that this objective has not been reached.

How useful to our foreign aid and foreign development programs would it be if these funds, in local foreign currencies, could be loaned on an **increasing** scale to competent private borrowers—either Americans or others — for local investment in new productive enterprises. This would make it possible for American private enterprise — often in association with local interests—to undertake additional projects abroad, create new job opportunities and participate materially in economic development toward higher standards of living. It would enlist the full knowledge, competence, and experience of the American business community in seeking out those productive enterprises which can be established most soundly and profitably under existing conditions.

If the Congress wishes to take an enlightened viewpoint toward the fuller utilization of these local currency funds, it might well stipulate that 60% be loaned back to the government of the country in question — one-half (or 30%) to be used for public works, including highways, irrigation, public buildings, hospitals and schools —the other half to be used to augment or improve fundamental services such as transportation, communications and the generation of electric power.

With respect to the remaining 40%, the Congress should stipulate that it is to be earmarked for lending to private industry—one-half to be loaned by the United States Government through a Washington agency while the other half is loaned through a local financial agency designated by the foreign government.

Obviously, such loans should be made on terms commensurate with conditions prevailing in the country in question. In addition, the terms available to private industry through Washington or the local financial agency must, of necessity, be the same.

Such local currency loans to private industry provide an added source of capital in a wide-world tight capital market.

Sees Devaluation Prevented

In addition, the use of such local currencies eliminates the exchange risk of devaluation which is always present when a direct dollar investment is made abroad. Avoidance of this risk alone should be a great encouragement to greater industrial development overseas under the guidance of American private enterprise.

Would Aid Our Manufacturers And Farmers

With continuing purchase of agricultural commodities under the various support programs, and a continuing need for such commodities by foreign countries abroad, we have the prospect of a reasonably steady flow of funds in local currencies for both public and private investment overseas. With such a plan, Congress could report to its constituents that foreign aid programs are of direct benefit to both the agricultural and industrial sectors of the American economy.

From the standpoint of the overseas country involved in such a program, it will bring to it a more rapid influx of American know-how; a greater willingness of Americans to invest; more jobs and a corresponding increase in local purchasing power; greater skills to local populations; and a demand for collateral services and activities will create additional local investment, business activity and jobs. These are the foundation stones of both economic and political stability.

Conclusion

In consequence, let us bring these elements together into an orderly conclusion.

The demand for a better way of life is expressing itself vigorously throughout the world. The resultant demand for goods and services is exhausting the savings of the advanced nations and is creating a world-wide capital shortage with increasing interest rates. The opportunities thus offered to investors in the more advanced nations make less attractive the development of more primitive areas.

The Congress has created a plan through Public Law 480 which could well generate a pool of local currencies of perhaps $1 billion per year. In these circumstances, is the time not ripe for the American Government and American private enterprise to combine these local currency resources and dollar funds available through a bona fide, non-military, economic foreign aid program? Such a program could carry to both the older, more advanced nations as well as to the hundreds of millions of people in the relatively primitive new nations, an effective public and private development program including local production and employment of a type best suited to each particular economy, leading to more earning power, consumption, economic and political stability, and a better way of life.

Through such a joint effort, the Congress and the Administration can enlist all the American genius for organization, financing, production, distribution, personnel training and development, and can apply it in the most enduring fashion through enterprises in which Americans and local nationals are working together under normal, commercial incentives.

I believe that the organization of such a program can be one of the most effective "secret weapons" of the United States in winning the cold war or maintaining the peace. Organization of such a program on a basis which is equitable to both the Americans and the businessmen and workers of the country in which each project may be undertaken, is one of the greatest challenges which American industry ever has had the opportunity to accept.

I commend the thought that the New Dimensions in American Foreign Operations—the experience we have had already in organizing for production and distribution abroad has prepared us, as businessmen and free enterprisers, to carry our part of the responsibility for the success of such a joint program.

Two With George K. Baum

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—John G. George and Abbey N. Leonard have become affiliated with George K. Baum & Company, 1016 Baltimore Avenue.

Foster Marshall Adds

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Oreg.—Richard Carmody and Elmer J. Johnson are with Foster & Marshall, 55 West 10th Avenue.

White, Weld Adds

White, Weld & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, announce that Pike H. Sullivan, Jr., is now associated with the firm as a registered representative.

Malcolm McAlpin, Dir.

Malcolm E. McAlpin, partner in Talcott, Potter and Company of New York, was elected to the Board of Directors of Hiller Helicopters, it has been announced by President Stanley Hiller, Jr.

Cgo. Mun. Bond Club Announces Field Day

CHICAGO, Ill.—Arthur E. Kirtley, First Boston Corporation, President of The Municipal Bond Club of Chicago announces that the 21st Annual Field Day will be held Sept. 13, 1957 at the Medinah Country Club. The usual dinner on Thursday night preceding the Field Day will be held at the University Club of Chicago.

Members of the committees for the Field Day are:

Raymond V. Condon, General Chairman, B. J. Van Ingen & Co., Inc.

Arrangements — William R. Chamberlin, Chairman, Halsey, Stuart & Co. Inc.; Gene A. Frantz, Frantz Hutchinson & Co.; Paul L. Hackbert, Rodman & Renshaw; Carl H. Ollman, Dean Witter & Co.; George R. Smith, Glore, Forgan & Co.; Carl T. Swanson, Continental Illinois National Bank & Trust Co.

Softball — Walter A. Hintz, Chairman, A. G. Becker & Co. Incorporated; Phillip F. Koenig, C. F. Childs & Company; Blair A. Phillips, Jr., Baxter & Company; Robert J. Taaffe, Baxter & Company.

Golf—O. Paul Decker, Chairman, National Boulevard Bank of Chicago; J. Franklin Bickmore, Boettcher and Company; Richard C. Nongard, Nongard, Showers & Murray, Inc.

Prizes — John X. Kennedy, Chairman, White, Weld & Co.; Hiram F. Bright, Harris Trust & Savings Bank; Philip W. K. Sweet, Jr., Northern Trust Company.

Entertainment—Robert C. Hawley, Chairman, Harris Trust & Savings Bank.

Horseshoes — John P. Ballman, Chairman, Ballman & Main.

Special Event—Robt. R. Brinker, Chairman, John Nuveen & Co., Inc.; Alan H. Bede, Julien Collins & Company; Frederick W. Channer, Channer Securities Company; J. David Everard, John Nuveen & Company; Charles A. Schoeneberger, Central Republic Company; Paul T. Stephens, Paine, Webber, Jackson & Curtis.

Reception — Arthur E. Kirtley, Chairman, The First Boston Corporation; James P. Feeley, First Union Trust & Savings Bank; Walter J. Fitzgerald, Jr., Blunt Ellis & Simmons.

Transportation — Vincent Newman, Chairman, Allan Blair & Co.; Arthur G. Field, Lee Higginson Corporation; Wilbur G. Inman, John Nuveen & Company.

Non-Resident Member Event—Fred D. Stone, Jr., Chairman, The Marine Trust Co. of Western; New York, New York.

Associate Member Event—Edgar F. Grimm, Chairman, F. S. Moseley & Co.; Bruce H. DeSwarte.

Tennis—De Witt Davis, Chairman, Mullaney, Wells & Co.

Bowman Appt'd by Blair

FLINT, Mich.—Blair & Co. Incorporated, members of the New York Stock Exchange and other leading securities exchanges, announced that Charles E. Bowman has become Manager of their Flint, Mich., office, Sill Building, succeeding the late William R. Stokely.

With H. Carroll & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harold K. Hampton has been added to the staff of H. Carroll & Co., 324 North Camden Drive.

With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Cecil M. Hackathorne is now with Hemphill, Noyes & Co., 628 West Sixth Street. He was formerly with Akin-Lambert Co.

G. H. Gillies With Phillips Securities

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—George H. Gillies has become associated with Phillips Securities, Inc., 5856 North Port Washington Road. Mr. Gillies was formerly an officer of First Trust Co. of Milwaukee for many years.

With Security Planning

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Fred A. Keshen is now with Security Planning, Inc., Harvey Building.

With Allied Securities

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — James C. Hoover, Sr., is now affiliated with Allied Securities Corporation, 87 Walton Street, Northwest.

Joins Union Security

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Wallace S. Remington has joined the staff of Union Security Co., 29 South La Salle Street.

With Myrl D. Maynard

(Special to THE FINANCIAL CHRONICLE)

FREEPORT, Ill. — George P. Smith has become connected with Myrl D. Maynard & Co., State Bank Building.

Ashton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Mary H. McKay is now affiliated with Ashton & Co., 15315 West McNichols Road.

Newhard, Cook Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — L. Gordon Davis has become associated with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges. Mr. Davis was formerly an officer of the Utilities Insurance Company.

With Ratterman & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—James P. Walsh is now affiliated with Ratterman & Co., 311 Pike Street.

Continued from page 4

The State of Trade and Industry

and transport costs. They added that they need more money to expand capacity from earnings. British iron and steel scrap prices were boosted $2.50 a ton, this trade publication further reports.

In the automotive industry United States assembly plants in July are producing 9% more passenger cars than in the same 1956 month and year-to-date output is running 5.5% ahead of last year, "Ward's Automotive Reports" stated on Friday, a week ago.

"Ward's" added that with assembly of 118,327 passenger cars booked for last week, paralleling the previous week's 117,207, a strong 490,000 car completions are in prospect for July. In 1956, July volume was 448,876 units.

The past week's car building brought to 3,794,000 the number built since Jan. 1. Thus 1957 operations are running 5.5% ahead of a year ago when 3,597,700 cars had been completed.

Ending its 1957 model car assembly on Friday, was Rambler, winding up American Motors Corp. operations for the model year. Hudson and Nash 1957 output ended a month earlier, the statistical agency declared, adding that five car makers have ended 1957 car assembly. Rambler on July 26; Lincoln, July 22; Nash and Hudson, June 28 and Continental on May 13.

Marring operations last week, "Ward's" said, was a wildcat strike at the Chrysler Corp. plant at Mack Ave., in Detroit. It cut into Plymouth operations.

Truck manufacturing, meanwhile, held steady the past week, the month's estimated volume running to 92,000, fully 9% over July last year.

Considering mid-July sales trends, the auto industry is running into a month-end buildup in its new car dealer inventory following sizable reductions in both May and June, "Ward's" reported.

In the oil industry the nation's crude oil stocks continued their recent advance by rising an additionol 5,424,000 barrels in the week ended July 20 to a total of 285,882,000 barrels, the United States Department of Interior reported.

According to the agency's report, stocks of foreign crude dropped by 468,000 barrels, but this was more than offset by a 5,392,000 barrel jump in supplies of domestic crude.

Reports from 497 lumber mills showed new orders for the week ended July 20 were 9.6% larger than for the preceding period, but 0.2% below the like week last year, according to the National Lumber Manufacturers Association. Production for the week was reported 24% above the July 13 week, but 8.6% below 1956, while shipments exceeded the preceding period by 16.2% and trailed the year-earlier pace by 3.2%.

The valuation of building permits issued in 217 cities including New York during June again fell slightly below the corresponding 1956 month, Dun & Bradstreet, Inc., reports. The aggregate for last month was $543,893,626, a decline of 2.7% from $558,856,212 for June a year ago. A comparison with the May figure of $560,278,567, revealed a drop of 2.9%. Among the geographical regions, the South Atlantic and the South Central were the only ones to report increases in permit value totals over June last year.

For New York City alone, building permits for June were up 9.6% to $55,200,493 from the $50,349,355 for June last year, but were down 13.3% below the $63,632,718 for May.

Building permit values for the 217 reporting cities for the first half of 1957 continued slightly above the 1956 volume despite the fact that four of the elapsed six months of this year showed declines from a year ago. The cumulative total for 1957 reached $3,088,103,233, or a gain of 1.2% over the preceding year, and a new high record for the period.

Steel Production Scheduled This Week at 82.2% Of Ingot Capacity

Steel ingot production declined 1.5 points to 79.5% of rated capacity last week, but producers are encouraged by signs of increasing demand, "Steel" magazine stated on Monday of this week. The week's output was 2,035,000 net tons.

The metalworking weekly noted that steelmakers are optimistic even though July tonnage will be the smallest for any non-strike month since February, 1955.

The industry anticipates a strong pickup, pinning its hopes for an active fall and winter on a sharp revival in automotive requirements. A substantial gain in appliance needs and general improvement in demand is also looked for. With inventories low, buying for current needs and for stockpiling is expected.

For most products, availability will likely exceed demand. Even in structurals and plates, increased capacity will make for easier supply conditions over the coming months. There is reason to believe that both items will come into reasonable supply-demand belance by the end of this year.

The general business outlook is that 1957 will be as good as 1956, perhaps slightly better, according to this trade weekly. The important difference, however, will be that while the over-all trend in 1956 was generally up, the trend this year is slightly down.

Factors bolstering expectations of a good year are initial reports of first half earnings of nine steelmakers which are slightly better than a year ago. Gross National Product in the first half too, registered a 6% gain over that of the same period last year, reaching an annual rate of $433,500,000,000 in the second quarter.

"Steel's" industrial production index averaged 158 for the first half of 1957, compared with 155 in the corresponding period last year (1947-1949=100). The index is made up of steel output, electric power output, freight car loadings and auto assemblies.

The publication declared that the way industrial production bounced back after the July 4th holiday shows that the over-all economy is still strong enough to overcome weaknesses of some of its major parts.

It said to look for machine tool industry shipments to reach at least $950,000,000 in 1957, compared with $886,000,000 in 1956. Shipments of $83,100,000 in June were up 5.8% from May's and reduced average backlogs to 4.2 months.

The best year in the history of the industrial rubber goods industry is in sight. Estimated sales this year are put at $1,200,000,000, or a 3% gain over those in record 1956.

The leisure market is expanding. Americans will spend nearly $20,000,000,000 annually on recreation by 1962, compared with $14,300,000,000 this year.

In the steel market, price schedules are still being revised but are not reflected this week in "Steel's" arithmetical composite on base prices of finished steel. It remained at $146.19 a net ton in the week ended July 24.

Scrap prices continued to ease. The publication's composite on the steelmaking grades dropped for the fourth consecutive week. At $54 a gross ton, it's off another 33 cents.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 82.2% of capacity for the week beginning July 29, 1957, equivalent to 2,103,000 tons of ingot and steel for castings, as compared with 79.4% of capacity, and 2,033,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 78.5% and production 2,009,000 tons. A year ago the actual weekly production was placed at 415,000 tons or 16.9% as a result of the strike by the AFL-CIO United Steelworkers Union.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Last Week Eased Slightly Below Prior Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 27, 1957, was estimated at 12,243,000,000 kwh., according to the Edison Electric Institute. Output the past week registered a slight decline below the previous period.

The past week's output decreased 63,000,000 kwh. below that of the previous week; it rose 948,000,000 kwh. or 8.4% above the comparable 1956 week and 1,516,000,000 kwh. over the week ended July 30, 1955.

Car Loadings Rose 7.4% Above Prior Week Which Was Affected By the Miners Annual Vacation

Loadings of revenue freight for the week ended July 20, 1957, increased by 51,368 cars or 7.4% above the preceding week, which was affected by two days of the coal miners' annual vacation, the Association of American Railroads reports.

Loadings for the week ended July 20, 1957, totaled 743,359 cars, an increase of 94,867 cars, or 14.6% above the corresponding 1956 week, when a nationwide steel strike was in effect, but a decrease of 38,549 cars, or 4.9% lower than the corresponding week in 1955.

U. S. Automotive Output in the Latest Week Brought 1957 Operations 5.5% Ahead of a Year Ago

Automotive output for the latest week ended July 26, 1957, according to "Ward's Automotive Reports," brought car building to 3,794,000 units thus far this year, or a gain of 5.5% above 1956 operations.

Last week's car output totaled 118,327 units and compared with 117,207 (revised) in the previous week. The past week's production total of cars and trucks amounted to 139,776 units, or a gain of 576 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 21,449 trucks made in the United States. This compared with 21,993 in the previous week and 21,426 a year ago.

Last week's car output rose above that of the previous week by 1,120 cars, while truck output declined by 544 vehicles during the week. In the corresponding week last year 111,247 cars and 21,426 trucks were assembled.

In Canada last week, 8,075 cars and 1,591 trucks were assembled as against 7,689 cars and 1,664 trucks the week before, and 9,169 cars and 2,161 trucks in the similar period a year ago.

Business Failures Declined the Past Week to Lowest Level in Three-Week Period

Commercial and industrial failures declined to 228 in the week ended July 25 from 266 in the preceding week, Dun & Bradstreet, Inc., reported. At the lowest level in three weeks, the toll fell below the 274 a year ago, although it remained above the 201 in 1955. Failures were 22% less numerous than in the comparable week of pre-war 1939 when 291 occurred.

Casualties involving liabilities of $5,000 or more dipped to 195 from 227 in the previous week and 225 last year. A decrease also occurred among small failures with liabilities under $5,000, which were down to 33 from 39 a week ago and 49 in 1956. Sixteen businesses failed with liabilities in excess of $100,000 as against 23 in the preceding week.

All industry and trade groups except manufacturing had lower tolls during the week. Retailing casualties declined to 115 from 146, wholesaling to 15 from 22, construction to 35 from 38 and commercial service to 12 from 20. The contrasting increase among manufacturers lifted their toll to 51 from 40. Fewer concerns failed than last year in all lines.

Wholesale Food Price Index Advanced for Fourth Straight Week

Rising for the fourth successive week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., went to $6.35 on July 23, from $6.31 the week before, to set a new high since June 28, 1955 when it stood at $6.42. The current figure represents an increase of 4.4% over the $6.08 for the corresponding date a year ago.

Higher in wholesale price last week were flour, corn, barley, hams, bellies, beans, eggs, hogs and lambs. Lower in cost were wheat, rye, oats, lard, sugar, cottonseed oil, cocoa and potatoes.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief func-

tion is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Continued Its Upward Climb of the Preceding Week

There was another rise in commodity price movements last week. On Monday, July 22, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 293.59, up slightly from the 293.48 of the preceding week and moderately above the 286.51 of the corresponding 1956 date.

A rise in prices on most grains occurred the past week. Increased trading in corn moderately boosted prices. Although purchases of wheat slackened, prices exceeded those of the preceding week. Wholesalers reported a considerable increase in soybean prices, as transactions rose noticeably. The record level of soybean trading was attributed to pessimistic surveys of crop conditions.

Reports indicating favorable growing conditions, resulted in a slight price decline in oats futures prices last week, but trading expanded noticeably. Total purchases of oats on the Chicago Board of Trade amounted to 44,108 bushels, compared with 21,375 bushels in the prior week and 23,638 bushels a year ago. Transactions in soybean futures in Chicago totaled 155,927 bushels as against 92,265 bushels a week earlier and 85,239 bushels last year.

Many flour wholesalers reported a rise in bookings a week ago and prices climbed appreciably. At 38,012 sacks, flour receipts at New York railroad terminals on July 19 were noticeably below those of a week earlier. Of the total for the latest date, 31,862 sacks were for export and 6,150 were for domestic use.

Buyers stepped up their orders for rice again the past week and prices moved up somewhat. Export buying continued to rise and wholesale stocks were reduced. Sugar prices fell slightly, following a decrease in trade. In coffee markets, trading was sluggish, holding prices close to those of the prior week.

Although cocoa prices advanced at the beginning of the week, they closed on Friday at the same levels as a week earlier. There was a slight rise to 316,449 bags in New York warehouse stocks during the week; a year ago they totaled 421,423 bags. United States cocoa arrivals amounted to 2,341,455 bags compared with 2,727,282 bags in the comparable 1956 week.

Hog prices rose to another two year high on Friday, as buying continued to expand with hog receipts in Chicago slightly less than in the prior week and below expectations. Limited wholesale supplies of steers resulted in moderate price increases. Lamb prices were sustained at week earlier levels. Despite the rise in prices on hogs and vegetable oils, lard prices were unchanged, and purchases lagged.

The possibility of new price support legislation resulted in a decrease in cotton futures prices at the beginning of the week, but increases prevailed at the end of the period when no such price supports seemed likely before 1959.

Average daily consumption of cotton in June was estimated at 33,300 bales, according to the New York Cotton Exchange as compared with 33,600 bales in May and 32,400 bales in June 1956. United States exports of cotton staple in the week ended last Tuesday totaled about 105,000 bales as against 73,000 bales in the previous week and 18,000 bales in the similar week last year.

Trade Volume in Latest Week Was 1% Below to 3% Above Like Period in 1956

As clearance sales promotions on Summer merchandise slackened, women shoppers increased their buying of Fall apparel a week ago with gains in suits, coats, dresses and sweaters. Sales of Summer sportswear and cotton dresses slipped slightly. While interest in men's Summer sports shirts expanded appreciably, the call for lightweight suits lagged. A slight rise occurred in purchases of furniture, some major appliances and air conditioners. Traditional white sales promotions stimulated interest in linens, and volume exceeded that of last year. Grocers reported continued buying of picnic specialties, fresh meat, ice cream and dairy products, while volume in canned goods sagged. There was a moderate rise in volume in both new and used passenger cars and sales were close to those of a year ago. Total retail trade equalled that of the prior week.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England and West North Central +1 to +5; Middle Atlantic, South Atlantic and West South Central 0 to +4; East North Central —3 to +1; East South Central +3 to +7; Mountain and Pacific Coast —1 to +3%.

There was a moderate rise the past week in orders for woolens and worsteds, as many apparel manufacturers planned increased production schedules in the next few weeks. Transactions in carpet wool in Boston and Philadelphia expanded appreciably. Limited retail stocks stimulated the buying of men's and women's Fall apparel and re-orders for Summer merchandise. Attracted by showings in New York and Los Angeles, buyers stepped up their orders for curtains and draperies and the volume was slightly higher than a year ago. Transactions in major appliances and television sets were sluggish.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended July 20, 1957, increased 5% above the like period last year. In the preceding week, July 13, 1957, an increase of 5% was reported. For the four weeks ended July 20, 1957, an increase of 4% was recorded. For the period Jan. 1, 1957 to July 20, 1957, an increase of 2% was registered above that of 1956.

Retail trade volume in New York City the past week advanced 6% to 8% above the like period a year ago, according to estimates by trade observers.

Hot weather early in the week, together with promotions by some stores, resulted in the largest volume of sales for electric fans thus far this year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 20, 1957, increased 2% above that of the like period of last year. In the preceding week, July 13, 1957 an increase of 5% was reported. For the four weeks ending July 20, 1957, an increase of 4% was registered. For the period of Jan. 1, 1957 to July 20, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Continued from page 11

Investment Management Of Union Pension Funds

ager one needs a specialized education devoted to these objectives.

Secondly, like any other practitioner, a substantial amount of experience and specialization is necessary in order to acquire maturity and balanced judgment. Some people never achieve these.

Thirdly, it cannot be emphasized too strongly that the management of other people's money involves fiduciary standards of the highest character. Basically, moral honesty is only a beginning. Competence, expertness, impartiality, arm's length dealing, are also required. In short, a high sense of moral ethics combined with ability, is necessary.

C. Criteria for the Selection of Investment Guidance.

We now come to the problem of setting up standards to evaluate the various sources of investment guidance which are available to the financial centers. Among the important criteria to be considered in procuring assistance in the investment of union pension funds are the following:

(1) Is the prospective adviser competent?

(2) Is the guidance tailored to unique pension fund requirements?

(3) Is the portfolio supervision continuous?

(4) Is the adviser impartial and free from conflicts of interest?

(1) Measures of investment competency.

The selection of an investment adviser is in many respects similar to that of choosing a doctor or lawyer. And all too frequently it is done on the same basis; geography proximity; friendship; recommendation by friends; or, hearsay reputation. Furthermore in the case of the financial adviser there are no formal educational requirements, no examinations to pass, or license to be granted. Security analysts vary in quality as well as in specialties. Starting from scratch, in a scientific approach, to select a securities analyst the following factors are suggested as consideration to measure a man's competency:

(a) Technical education in business and security analysis. It is almost necessary in these days of specialization to have a college education. Not only are specialists required, but also men of broad economic vision are needed.

(b) How old is the analyst?

(c) How much real qualifying experience has he had?

(d) Though a specialist in a particular field, does he nevertheless have a broad, comparative viewpoint?

(e) What is his record? What has he accomplished for his clients?

(f) Is he well balanced, or does he have psychological predispositions? Is he constantly an optimistic "bull."

(g) Does he have the capacity to reason analytically? Have you read some of his reports and recommendations and his reasons therefor? Do not just read his current ones, look at what he wrote several years ago and see how it stood up in the light of experience.

What you are doing is buying a man's brain, his ability to think, to reason and to judge. These should not be "hunches" but well thought out reasoned conclusions which can be embodied and examined in a written report.

One thing we must need guard against is the man's apparent success in the form of large number of clients. This may be a result of an "elaborate front" or successful selling ability as contrasted with analytical investment competence.

To judge the technical competence of an investment consultant, unions need on their staff technicians who are able to evaluate the quality of his work. For example, the patient cannot judge the quality of work performed by a dentist, only another dentist can do that. All the patient knows is whether it hurts or not, and perhaps it would hurt with any dentist.

(2) Guidance tailored to pension fund needs.

To be most effective, advice has to be patterned according to the special needs of the pension fund. These funds, as we have noted, have individual and unique investment characteristics, such as long-term outlook, lack of need for liquidity, and the importance of compound interest and yield. Investment guidance and recommendations should be made with these individual requirements always uppermost. The guidance must cover policy as well as specific investment recommendations.

(3) Continuity of portfolio supervision and service.

A portfolio cannot be successfully managed simply by taking an occasional look at it. It has to be lived with. So much can happen between periodic reviews that reliance upon such practice would be highly dangerous. The owner of securities could be lulled into a false sense of security under such an arrangement. One would not buy a security which does not appear to have favorable prospects at the time of purchase, but industry conditions and the management of a company can both change rather quickly, so that it is necessary to keep constantly vigilant, or serious losses could result. You cannot buy stocks, lock them up in a safe deposit box, and then blithely forget about them. Also because of the continuous inflow of funds there is need for constant attention.

(4) Absence of conflicts of interests — Impartiality of judgment.

An important factor in the rendering of unbiased or impartial judgment is the absence of any conflicts of interest between the adviser and his client. This is a subtle intangible but most importance factor affecting the ability of an adviser to render satisfactory service in his fiduciary capacity of handling other people's money. There should be no conflict of interest between the adviser and his client. Otherwise, how can he faithfully perform his duty? If an adviser has securities for sale, and one issue carries with it a larger commission than another, he might be influenced to sell to his client the former even though the latter would be more suitable for the portfolio. If he is compensated on the basis of activity, it would take a strong-minded adviser not to trade more than may be necessary. If his fee is based on a percentage of profits, the adviser might be inclined to take more speculative risks than he should. In brief, self-interest can prejudice a decision.

IV

Analysis and Appraisal of Types Of Investment Guidance

I do not desire to praise Caesar not to bury him but to analyze and evaluate him. Our problem now is to take the investment adviser job specifications and apply them to the various alternatives.

Among the chief sources of investment guidance are:

(1) Union legal counselors.
(2) Security dealers and brokers.
(3) Commerical banks and country banks.
(4) Trust companies and trust departments.
(5) Pension consultants.
(6) Investment counselors.

(1) Union Legal Counselors.

Let us first consider the practicing attorney specializing in serving labor clients. These attorneys have an outstanding opportunity to render a real and needed service to their clients in matters of investments. He has the union's confidence and their best interest at heart. These lawyers, because of their general education and as man of affairs, may have considerable investment understanding. On the other hand, he may be reluctant to admit to a client his lack of general competence in this specialized field. A lawyer, by virtue of being a lawyer, *per se*, is not competent to be an investment adviser. The best services he could give his client is to help him select a competent, qualified, full-time investment guide.

As a matter of fact, most attorneys have so much law business that they don't have any time to devote to investment management. Most successful lawyers keep far away from the specialized business of giving investment advice. They recognize their own professional limitations. Lawyers are men of ability but because of concentration on legal matters lack the technical competence to advise on investments. It is a most serious disservice to a client to undertake to do something for which you are not qualified. All too often the lawyer is merely passing on to pension fund managers the latest tips telephoned from his broker rather than well reasoned recommendations tailored to the unique requirements of the pension fund.

(2) Security Dealers and Brokers.

Our second category, security dealers and brokers, deserves special attention because they are frequently mistaken for professional investment advisers. There is a wide variation in the type, character and quality of service offered by this group. They range from wholesale underwriting houses to small over-the-counter traders and odd-lot-dealers.

(a) Are they competent? They should be experts in their special financial field by virtue of long experience. But that field is not union pension fund investing. Some of the larger firms have excellent research staff but their recommendations are usually geared to attracting individual customers and generating trading activity since their major source of compensation comes from commissions on trades. Often, the research group is not well rounded, but have only one or two leading men specializing in a narrow field. Here you have to consider with whom you are dealing, the customer's man who may be paid on a commission basis or the research man on a salary. Brokers are specialists in common stock hunting. In general they are psychologically biased on the bullish buy side to attract customers. Suggestions are often made for the short-term trading rather than long range investing.

(b) Brokers give excellent clerical supervision over the portfolio if they have its custodianship. Ordinarily they are not set-up to give continuous qualitative supervision over the policies and particular holdings of a large portfolio. Some firms, like Merrill Lynch, Pierce, Fenner & Beane

Continued on page 36

Continued from page 35

Investment Management Of Union Pension Funds

and Smith, Barney & Co. have set up special departments just to service pension accounts.

(c) Does the broker's advice suffer from conflicts of interest? There may be several conflicts. Pressure may be exerted to help bail out the underwriting department which has a sticky issue on its hands. Compensation is according to trading activity and not on quantity or quality of investment advice. It is always better to pay for a service directly and not as a by-product. The compensation is more equitably adjusted and the quality of service is superior. You always get better service when dealing with people who are making a profit on you.

(3) Commercial Banks and Trust Companies.

These organizations are usually very competent in their special field of personal loans, short-term business loans, commercial paper, self-liquidating bills, and governments. This type of work does not enable them to give competent advice on a general long term, diversified portfolio which contains a substantial amount of common stocks of companies which are not depositors in that bank. The mere fact that union pension funds are on deposit does not insure nor entitle you to "free" comprehensive portfolio advice.

(4) Trust Companies and Trust Departments of Large Metropolitan Institutions.

In contrast to the commercial banks are the huge trust departments of metropolitan banks which handle billions of pension funds. The Bankers Trust Company has over $2.4 billion in one pension fund, that of the Bell Telephone System. Estimates place the total pension funds it administers at twice that amount.

Let us apply the qualifying criteria to these institutions.

(a) Are the trust companies competent? Yes. These trust departments have excellent, well rounded research staffs. For years, these trust departments have had to maintain staffs to follow the investments in which they were interested in as fiduciaries. It was only a short step to applying this information to specialized pension fund administration.

(b) Is their advice tailored to the requirements of their pension fund clients? Certainly the trust staff are well aware of pension investment problems. There may be so many accounts that they really do not get close individual personal attention.

(c) Trust supervision is continuous and securities are kept under a constant check.

(d) Is the trust department unbiased? It certainly tries to be. The investment officers are without question conscientious men of the highest integrity. But it is possible that conflicts may arise with the Commercial Department which solicits large depositors whose securities may be held by the Trust Department. If securities are to be liquidated because of a deteriorating credit condition which ones will be sold first?

(5) Pension Consultants.

This is a particularly specialized group whose major activity is to advise their union clients on the cost or actuarial aspects of a retirement program assuming a given earnings rate on the pension fund. The closeness of these consultants to their clients gives them an intimate knowledge of the pension requirements.

Partly because of the needs of their clients and the desire to render a complete service some pension consultants have extended their activity to include the rendering of investment advice. This may be somewhat of a supplementary adjunct to their general pension work. The investment advisory service should be evaluated on the same standards as that of investment counselors who are discussed in the next section.

In summary, these pension consultants seldom have the well-rounded and complete staff necessary for the adequate management of a large portfolio. A small investment staff may be quite competent to render advice on policy matters. It is doubtful whether they are set up to provide recommendations as to individual common stock commitments and continuing supervision over the portfolio. A custodianship would, of course, have to be set up either with a broker or a trust company.

(6) Investment Counselors.

Investment counselors are individuals, partnerships, or corporations which specialize in rendering technical economic, financial and investment advice. The counsel fees usually begin at one-half of one percent of the first hundred thousand dollars, with a downward graduated scale.

Briefly, they are in the business of providing continuous advice and supervision on the management fund according to the needs of the particular client. Professional investment counselors are men who have the security markets, industries, and economic trends under constant study and use them as a background for evaluating the prospects of companies and their securities.

There are a few large firms which maintain branch offices. They operate through central management committees which define policy and prescribe the securities which will be bought or sold. Their statistical departments cover all securities which are held in all client accounts.

The smaller sized firms consist of a few partners or officers and supporting clerical and secretarial staff. Such firms are not ordinarily large enough to justify having their own research personnel. The partners to this work personally. They also evaluate the material obtained from outside research organizations which are sometimes engaged on a retainer basis. The advantage to a small pension fund of a medium sized firm is that the partners themselves are experienced analysts and in addition have the authority to modify firm policy to fit the pension requirements without first obtaining committee approval.

Most investment counsel are registered with the SEC under the Investment Advisers Act of 1940. It should be emphasized that this registration does not guarantee quality of advice or service. The administration of the Act by the SEC merely attempts to keep convicted felons out of the business and to eliminate conflicts of interest.

Typically, investment counselors render only advice. They do not provide custodial service. They are essentially specialists, devoted to managing other peoples money with great particularity.

(a) Are counselors competent? As indicated above in discussing the criteria of competency the most important thing to consider is the record of accomplishment. Competition will force them out of business unless they are able to "deliver the goods."

(b) Is the guidance tailored for pension funds needs? The very essence of investment counsel service is characterized by the personal attention given to individual client requirements.

(c) Is investment counsel service continuous? One of the chief objectives of investment counsel service is to give continuous individualized attention to the investment needs of their clients. The extent to which practice conforms to theory, of course, is a question of fact which varies from firm to firm.

(d) Are investment counsel free from conflicts of interest? Ordinarily yes. Fees are based on a straightforward service basis. It is always possible, of course, that conflicting interests might be acquired like that of a directorship.

(7) Mail Subscription Services.

Distinct and separate from the sources of investment guidance mentioned in the preceding sections are the mail subscription services which are available for a few dollars. The most noteworthy of these are Moody's Investment Service and Standard & Poor's Investment Advisory Service. The major job of these companies is publishing material about individual companies. Moody's does this with bound volumes which are kept up-to-date with current supplements. Standard & Poor's, on the other hand, maintains an up-to-date loose leaf binder system. Moody's, for example, publishes five volumes under the general headings of Transportation; Utilities; Industrials; Banks; and Governments.

In addition, both of these agencies supplement or augment their corporate reporting with specialized counselling service. This counselling service, in general, hase two aspects. For a fee they will send you regular recommendations to buy or sell in one or more fields, setting forth in some detail the reasons for their recommendations. The second aspect of their service is that they will review a portfolio submitted to them from time to time. This type of service, however, is not recommended for pension funds as it is not particularly tailored to long run individual requirements. In other words, it lacks the quality of being personally tailored to their requirements, nor is it continually supervised.

Such services, do, however, contain many helpful suggestions for fund managers and are often utilized by them in the handling of the common stock portfolio as well as the bond sector.

V

Sources of Information About Investments and Business Conditions

For the labor executive who wants to be able to discuss current financial affairs in an informed manner at the conference table, the following reading is suggested:

(A) General Financial Publications:

(1) *Wall Street Journal.*
(2) *Commercial and Financial Chronicle.*
(3) *Journal of Commerce.*
(4) *Business Week.*
(5) *Forbes Magazine.*
(6) *Monthly economic letters by: N. Y. Federal Reserve Bank; First National City; Chase Manhattan; Guaranty Trust; Bankers Trust Co., et al.*

(B) Government Publications:

(1) *Federal Reserve Bulletin.*
(2) *Survey of Current Business.*
(3) *President's Economic Report.*

(C) Textbooks:

B. Graham & D. Dodd, Security Analysis, *McGraw-Hill, 3rd ed. 1951.*

B. Graham, The Intelligent Investor, *2nd ed. Harper & Bros. 1954.*

R. Badger & H. Guthmann, Investments, *Prentice-Hall, 4th ed. 1951.*

VI

Costs of Investment Guidance

Good advice is worth what it costs. In investments you can't pay too much for good guidance. You get what you pay for. You do not gett something of value for nothing. Poor, free advice is dangerous. Compensation should be direct and a straightforward payment. It should not come about as a by-product from commissions or deposits.

It costs money to maintain an adequate research organization. It costs more to provide good common stock counsel than it does to administer a high grade bond portfolio. It takes work to dig out under-valued common stock situations. Comprehensive investigations must be made. Often staff must be sent on field trips to interview operating officers and the financial vice-president. Specialized, technical consultants like engineers, physicists, chemists, may have to be retained to keep ahead or merely abreast of rapidly changing technology. But it is only by these methods that growth situations can be obtained.

Annual bank administration fees may run from 1/20th to 1/40th of one percent of the sums administered. These fees seem entirely inadequate even when augmented by such factors as earnings on uninvested cash on commercial deposit. The compensation is made too competitive. These fees need to be increased to insure the rendering of the best possible service. In general, bank salaries are too low to hold a good industrial common stock man.

Investment counselors who devote more time to stock analysts have a higher scale of fee than that of the typical bank or trust company.

Summary

In closing, I would like to stress these thoughts:

(1) A union fund manager needs an independent consultant or staff member to help him decide the kind of service he needs; to select a professional adviser who specializes in rendering that type of service; and, to evaluate the specialist's recommendations.

(2) Investment management is a full-time, professional job, requiring the highest degree of technical competence and adherence to fiduciary standards.

(3) Factors or criteria to be considered in the selection of a professional investment adviser include the following:

(A) Competense.
(B) Personalized attention.
(C) Continuity of advice and service.
(D) Absence of conflicts of interest.

The most difficult to apply of these is that of measuring the *competence* of the adviser. Among the factors to be considered are: educational training; financial experience; clients served; and, particularly, the record which he has achieved as well as his general reputation.

(4) To get thoroughly sound and competent advice one must be prepared to pay for it. Adequate payment for qualified advice is the cheapest in the long run. It is better to make payment directly and specifically and not as a by-product of something else.

(5) It is absolutely necessary that the objectives of the fund be carefully and thoroughly thought-out. A corollary is: the investment program and security selections should be carefully tailored to meet these objectives.

(6) It is important in the selection of an adviser that he be thoroughly familiar with fund objectives and specializing in that sector of investment finance.

With Collin, Norton

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—John L. Sullivan has become affiliated with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

With Campbell & Robbins

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Wendell R. Miles is with Campbell & Robbins Incorporated, U. S. National Bank Building.

With Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Herbert F. Ziegler is with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange.

With Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Alvin D. Segal is now connected with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange.

With M. J. Ross Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Seymour Feerst has been added to the staff of M. J. Ross & Co., 6505 Wilshire Boulevard.

A Dangerous Misconception

"A misconception that is part of our intellectual currency today is that a little inflation is a good thing. A little inflation, sometimes thought of as roughly 2% a year, would double the price level every 35 years. However, even if we accept the inevitability of creeping inflation, and I certainly do not, it is not possible to have just a 'little' inflation.

C. Canby Balderston

"Once a community accepts the prospect of continued inflation and begins to make its business decisions in the light of that prospect, the infant ceases to creep. It learns to walk, run, and finally gallop even though the gallop may carry it over the brink of the precipice that everyone agrees must be avoided. . . ." — C. Canby Balderston, Vice-Chairman of the Board of Governors of the Federal Reserve System.

We can only hope that such excellent advice from such an exalted source will cause scales to fall from many eyes.

Continued from first page

"The Fundamental Issue"

of a magnitude and diversity not as yet fully comprehended. Machines and mechanical devices will more and more operate other machines in an endless growing cycle, defined as Automation, of labor-saving and multiple production systems.

To believe that this will be an evil, threatening mass unemployment and a consequent social upheaval somewhat similar to the disorders individual labor temporarily sustained in the industrial revolution of the 18th and 19th centuries, would be illogical. Such an attitude would manifestly discount completely the relative slowness of the development and the corollary and beneficent improvements which always accompany progress. There will be changes in jobs requiring adaptation of the labor force but nothing to cause a large volume of unemployment. Actually, the productivity of the economy can be expected to grow at the rate of 3 to 4% a year while the number of new workers, due to growth of population, will be only about 1.5%.

Nuclear energy and electronic advances cannot fail to bring an age of relative plenty. For the first time there will be provided the tools which promise to mankind the satisfaction of his basic economic and material needs. Some of you may well live to see the day when we will be drawing energy not only from the sun but from the tides and the winds; will be creating unheard of synthetic materials; will be purifying sea water; will be mining ocean floors for basic minerals; will be celebrating a life span of a hundred and more years; will be launching space ships to reach the moon; will see poverty for the first time faced with possible extinction. Living standards will be the highest, scientific advances will be the most revolutionary, world affairs will be the most exciting in all history.

Lower Taxes

If businessmen were to be allowed a wish, I am sure it would be unanimously for lower taxes. The tax burden now is so oppressive as to be almost confiscatory of venture capital. As Secretary of the Treasury Humphrey recently testified before a Congressional Committee, ". . . the present heavy tax burden will seriously hamper necessary economic growth," adding that, ". . . spending under existing government programs will rise as fast as the increase in revenues resulting from economic growth unless Congress and the Administration alter and reduce those programs."

Taxes for 1956 came to a staggering total of more than $100 billion. The Treasury received $70 billion and state and local governments the other $30 billion. This means that the cost of government consumes almost one-third of the national product which is the sum of all goods and services by the entire population of the United States. The government's appetite for taxes has grown steadily and inordinately. In 1835 the per capita tax take was $1.98. In 1917 it was $7.92. During World War I it rose to $35.70. In 1932 there was a drop-off to $12.48. The high point of World War II was hit in 1945, at $312.86. Last year, the fiscal year of 1956, was the costliest of all, $446.86 per head for every one of us. Such jet-propelled figures are difficult to comprehend. Much is hidden from direct view in the form of unseen nibbles at the pay check after payment of the direct income tax. You never know you are paying because they appear as part of the purchase price of the items you buy. For example, you pay in this indirect way:

Twenty per cent of the cost of your food;

Eight hundred dollars on a $3,000 automobile;

Half the cost of a package of cigarettes;

Nearly 9/10ths of the price of a bottle of whiskey.

Taxes have grown so rapidly in recent years that now they are the largest single item in the cost of living. Americans will pay for government this year more than they will spend on food, clothing, medical care and religious activities combined.

Before you sit down to a meal, morning, noon or night, this is what happens:

Details Tax Extent

The tax agent collects from the farmer who grew your food. He collects from the fertilizer companies and farm equipment manufacturers who supplied the farmer. He collects rail and truck transportation taxes, manufacturers' excise taxes, telephone taxes, property taxes, sales taxes, income taxes, social security taxes, gasoline taxes, license fees, inspection fees, permit fees; all these—and so many others that nobody even knows what they are. When you buy a dozen eggs, you pay at least 100 tiny taxes which do not appear on the bill. There are 151 taxes on a loaf of bread, at least as many and maybe more on a pound of beefsteak, a box of soap, a can of beans. Billions a year are drained off which should be invested in new or enlarged enterprises or spent on the products of these enterprises. I do not hesitate to predict that if government continues to wrest from the people the basis for future industries and businesses, our rapidly increasing population may eventually outgrow the number of jobs available and industrial labor will then face its greatest threat.

There seems to be no restraint in this lust for taxes. It began with the Federal Income Tax Law of 1914 which gave unlimited access to the people's wealth, and the power for the first time to levy taxes not for revenue only but for social purposes. Since then the sphere of government has increased with a kind of explosive force. Thomas Jefferson's wise aphorism, "That government is best which governs least," has been tossed into the wastebasket with ridicule and sarcasm. Whether we want it or not, we pay now for almost unlimited government; a government which limits our lives by dictating how we are fed and clothed and housed; how to provide for old age; how the national income, which is the product of our labor, shall be divided among us; how we shall buy and sell; how long and how hard and under what circumstances we shall work. There is only scorn for the one who dares to say, "The government should not be infinite."

Actually, the national budget now governs the economy. Unfortunately, it is becoming more and more abnormal. For years we have been spending far beyond our means. Our indebtedness is now estimated to be nearly $700 billion, a sum greater than the combined debt of all the other nations of the world. And it has been charged without challenge that our government this year proposes to spend as much as all other governments put together.

Executing Lenin's Prediction

The Russian dictator, Lenin, that implacable foe of the free enterprise system, predicted as early as 1920 that the United States would eventually spend itself into bankruptcy. How many of our leaders still hear the echo of Thomas Jefferson's voice when he warned with reference to the future of this country:

"I place economy among the most important virtues and public debt as the greatest of dangers to be feared. To preserve our independence, we must not let our leaders load us with perpetual debt. We must make our choice between economy with liberty, or profusion with servitude. The same prudence which in private life would forbid our paying our money, forbids it in the disposition of public money. We must endeavor to reduce the government to the practice of rigid economy to avoid burdening the people and arming the Magistrate with a patronage of money which might be used to corrupt the principle of government. . . . The multiplication of public offices, increase of expense beyond income, growth of the public debt, are indications soliciting the employment of the pruning knife. . . . It is incumbent on every generation to pay its own debt as it goes."

How incomparably different in philosophy from Karl Marx, that patron saint of communism, who 50 years later, while planning the destruction of all constitutional government, said:

Marx's Prediction

"The surest way to overturn the social order is to debauch the currency."

He referred, of course, to the process of inflation, induced by extreme taxation; the process of "planned economy": the process of controlling economic conditions and thereby controlling the lives of individuals—a control of fiscal, monetary and general economic forces which produces higher prices and a gradual devitalizing of the purchasing power of money. The continuing rise in the cost of living is due to our drift deeper and deeper into inflation until today our whole economic, social and political system is infected by an inflationary mentality which approaches a point where the very foundations of our structure are threatened. "Taxation," with its offspring, inflation, said Lenin in support of the basic thesis of Karl Marx, "is the vital weapon to displace the system of free enterprise"—the system on which our nation was founded—the system which has made us the most prosperous people of all history—the system which enabled us to produce over half of the world's goods with less than one-seventh of the world's area and population—the system which gave our people more liberty, privileges and opportunities than any other nation ever gave its people in the long history of the world. No wonder Herbert Hoover recently exclaimed in reviewing our situation, "The spirit of Karl Marx no doubt rejoices. . . . He recommended some such actions as the road to Socialism." And by Socialism he meant the forcing of a centrally controlled economic life upon all persons in the nation, under an authoritarian monopoly that is politically managed.

Power to Tax

Chief Justice John Marshall warned as early as 1819 that ". . . the power to tax involves the power to destroy." And he might have added that the road to destruction is the road of Socialism. Its evidences which we see and talk about so much—the collectors and dispensers of socialistically used funds, the planning committees and enforcement bodies, the services they presume to render and the pyramids they build, the votes they coerce to maintain control — all these expressions of socialism are but the offspring of excessive taxation. If we want economic liberty—want to be free to work most productively and to have what we produce—our concern must focus on the tax roots to shut off the revenue which nourishes the disease. To work at the other end and merely bemoan the detailed projects of socialism or damn the persons who happen to be manning those projects at the moment, or even to change political personnel, would be about as effective in stopping socialism as changing undertakers would be to stop death.

Excessive taxation produces results somewhat resembling the evils of slavery and serfdom in days of old. To illustrate; the government takes in taxes over a third of the income of the average citizen each year. This means that he or she is required to work entirely for the government from Jan. 1 until May 10. This begins to resemble the Soviet forced labor system. It practically reduces the citizen for protracted periods to what amounts almost to involuntary servitude. It is indeed the modern although humanized counterpart in the 20th century of the abandoned slavery and serfdom of the preceding centuries. We will be fortunate if it does not finally reduce individuals to the universal status of robots.

The present tax structure is even now probably adequate eventually to socialize the United States. Our tax-take is already greater than that of the admitted national socialistic countries, whether on this or the other side of the Iron Curtain. The effects may not yet be fully evident to the superficial eye, but the erosion of incentive, ingenuity and integrity that results will be as deadly as the hidden cancer is to life. It can in time change the basic character of this great nation as it has every other nation where it has become indelibly affixed.

Blames Taxes for Inflation

In the last two decades our tax system has resulted in a creeping inflation which has devitalized the American dollar to 40% of its previous purchasing power. If the present trend continues, the dollar may well sink to half its present value within another decade. Those who suffer most from such fiscal debasement are the men of small means — those living on fixed incomes, wages, annuities or pensions—especially the working man. But inflation does even more than debauch a nation's currency; it also debauches a nation's morals. It creates a false illusion of prosperity; it discourages thrift and honest effort; it encourages the kind of speculation that expects something for nothing. History shows how difficult it is for a nation to recover once it is in the sway of an irredeemably depreciating currency. The tendency is for prices to go higher and higher, the value of money to go lower and lower.

The inflationary forces which undermine the Western World of today are the same forces which were at work 1,700 years ago during the decline of the Roman Empire. Just as in Rome, our civilization is living beyond its means. It is living more and more for the moment, trying to anticipate today the pleasures of tomorrow. Why save, asks the citizen, if savings are likely to be expropriated through taxes and inflation? Why wait for the day when we can afford a house, or a car, or a TV set, if we can buy these things today on credit? It is no longer enough that our economy grows annually faster than the increase in population; the call is for twice this growth. Wages must rise faster than productivity; the standard of living faster than income. This is the folly known as inflation: yet many prominent economists and innumerable others still preach the desirability of what they call, "Limited inflation." Few know that Lord Keynes, generally regarded as the modern apostle of inflation, because of his famous treatise on finance, is said to have remarked just before he died that he must write another book to warn the British people that, ". . . there is danger in inflation." Even ex-President Truman, a main protagonist of high taxation and free spending, recently wrote:

Quotes Truman

"I do not wish to minimize the serious consequences of the type of inflation we are now experiencing. It has already brought hardships to a large segment of our population, in the cities as well as on the farm, and especially to those who have to live on pensions and fixed incomes." What a change is there, Oh my countrymen! What a difference it would have made had it come at the zenith of his Presidential power rather than in the dismal aftermath of a paid newspaper column. But inflation is not a question of partisan politics. It can be controlled only if both political parties really wish to stop it; only if both parties are determined to limit spending so as to be within our means.

If financial output has to be increased in one segment it must be correspondingly decreased in another. If defense spending has to go up, other spending, whether for housing, roads, schools, farm aid, or social benefits, must be curtailed accordingly. This is only common sense. But, even though tax receipts have doubled during the postwar era, total public spending continues to exceed revenues. Promises continue to be made to expand all sectors of the economy at the same time. Some are 42% larger than they were in 1953-54. Literally dozens of welfare projects little understood by the general public are hidden in the more than 1,000 pages of the budget which has grown so big that nobody has any clear idea how much waste it actually contains. Some almost incredible and fantastic falsities have been progressively foisted upon public opinion with reference to it. One is that it is a perfect example of scientific fact, that it is as true as two and two make four, that it is arithmetically a perfect equation which can not be disputed, that its preparation is rooted in such learned hands as to be quite beyond the comprehension of the ordinary citizen.

This is all complete bosh and nonsense. The national budget is but the guesswork of a small group of individuals, temporarily gathered in Washington by administrative assignment, whose previous training and experience has little to do with acquiring any specific knowledge of the nation's need. Each one, engrossed with the super-importance of his own function and power, estimates a maximum that he deems he can utilize, irrespective of extravagance. The sum of these, with some modification, becomes the budget unless someone at the top lowers the estimates to correspond with the actual resources expected to be available. The problem of a balanced budget, instead of being a mystic and untouchable phenomenon, is actually the commonest and most universal one in the world. It faces the head of every household every year of life. It is simply, how much can be spent safely on living expenses. The question is not what can be luxuriously used, not even what may be actually necessary, but what can be obtained with the money available without injudicious borrowing. If one's natural desires were followed they would always amount to much more than could be actually afforded. But the householder is forced to exercise prudent restraint and practice thrift or eventually he will

Continued on page 38

Continued from page 37

"The Fundamental Issue"

face disaster. He must be able to say "no" to excess items when everything in him wants to say "yes."

Refers to Hoover Study

It is exactly the same basic problem in government, with the vital difference that the money involved is not that of his own but that of others collected by taxation. But what a monumental difference this makes! Instead of being frugal, one becomes lavish. Instead of being careful, one becomes reckless. Instead of being conservative, one becomes radical. Temptation assails one from every angle. Ambition becomes very human, indeed. The pressure of political currents, the blandishments of powerful lobbies, the allurements of expanding horizons, the disease of power, all play their potent part. At best the result is but a guess, a speculative estimate with little or no controlling influences. How wrong it can be is testified to by the surpluses that have accumulated over the years. These surpluses, the over-estimates in the national budgets of actual needs, glut our warehouses from coast to coast. They are not limited to agricultural products but exist in practically every field and every commodity.

A member of the Hoover Commission which studied the matter estimated to me that in the last decade perhaps $100 billion worth of surplus had accumulated. A large portion of this, he said, could probably never be gainfully used. This is but one facet depicting the frailty, the inaccuracy and the extravagance of the casual budget. I know from actual experience these frailties. For five years I made up the budget for the Army and Air Corps when I was the Chief of Staff, and for six years supervised the Japanese budget when Supreme Commander for the Allied Powers in the Far East. The estimates submitted to me were astronomical compared to the moneys available without borrowing; but, it may interest you to know that the largest yearly budget I put in for the Army and Air Force, which were then combined, was approximately $400 million, and the highest for the entire Japanese nation of more than 80 million people was less than $2 billion. Yet, I can say confidently that the security of the United States was as relatively safe then as now, and that Japan's present prosperity, built on its postwar occupation budgets, has never been surpassed in modern times.

Only a month ago, Senator Byrd, the most potent financial voice in Congress, warned that he feared the country would "go over the precipice of financial disaster if the rise in government spending were not curtailed." He said the country faces a "great potential danger because the government has exhausted its power to tax and exhausted its power to borrow," that it has "no reserves."

Our swollen budgets constantly have been misrepresented to the public. Our government has kept us in a perpetual state of fear—kept us in a continuous stampede of patriotic fervor—with the cry of grave national emergency. Always there has been some terrible evil at home or some monstrous foreign power that was going to gobble us up if we did not blindly rally behind it by furnishing the exorbitant funds demanded. Yet, in retrospect, these disasters seem never to have happened, seem never to have been quite real.

The People Pay

Another of the great illusions is that the government gives the people free much of what they get from its services. I am convinced that the average citizen has no idea who pays for big government and how much. The painful truth is this: the government produces nothing of itself. Whatever it spends for people it must previously take from the people in the form of taxes. Moreover, whenever the government gives a service to people, it must at the same time take away from the people the right to provide and decide for themselves. And the amount which government doles back to the people or spends to promote welfare is always only a fraction of what it takes away, because of the excessive cost of governmental administration. It is the little people who pay the largest part of the bill. Eighty-five per cent of all the billions of dollars paid in income taxes comes from the lowest rate—the 20% paid by all persons with taxable income. Only 15% is added by all the higher rates up to 91%.

Indeed, it has been suggested that one reason for the steep graduation of the income tax is to make the public think that people with high incomes pay most of the taxes. It is another illusion to think that excessive rates of a graduated income tax tend to redistribute the wealth. It merely prevents its accumulation and thereby blocks expansion of the nation's economic strength. The very source of new and better jobs thus disappears. This is economic folly based on the false proposition that growth can be maintained through continuous inflation.

But, even greater issues are involved than any I have yet mentioned. Some years ago, the late President Woodrow Wilson made the following statement:

"The history of liberty is the history of the limitation of governmental power, not the increase of it."

The contest for ages has been to rescue liberty from the constantly expanding grasp of governmental power. The great patriots of the American Revolution revolted not so much against the actual taxes imposed upon them by a British King but against the concept of government behind the taxes; the concept that government had unlimited power to do what government thought proper. They had a deep suspicion that government, if permitted, would waste the labors of the people and ultimately curtail the power of the people, always under the pretense of taking care of the people. That is why they tried to bind the government down with the modest restrictions of a Constitution, limiting the government's powers to the performance of carefully specified responsibilities.

Daniel Webster on Power

Daniel Webster said on the floor of the United States Senate:

"All republics, all governments of law, must impose numerous limitations and qualifications of authority; they must be subject to rule and regulation. This is the very essence of free political institutions. The spirit of liberty is a sharp-sighted spirit; it is a cautious, sagacious, discriminating, far-seeing intelligence; it is jealous of encroachment, jealous of power, jealous of man. It demands checks, it seeks for guards, it insists on securities; it fortifies with all possible care against the assaults of ambition and passion. It does not trust the amiable weaknesses of human nature, and therefore it will not permit power to overstep its prescribed limits, though benevolence, good intent, and patriotic purpose come along with it. Neither does it satisfy itself with flashy and temporary resistance to authority. Far otherwise, it seeks for duration and permanence. It looks before and after; and, building on the experience of ages which are past, it labors diligently for the benefit of ages to come.

"This is the nature of constitutional liberty; and this is our liberty if we will rightly understand and preserve it. Our security is in our watchfulness of executive power. It was the constitution of this department, which was infinitely the most difficult part in the great work of creating our present government. To give to the executive department such power as should make it useful, and yet not such as should render it dangerous; to make it efficient, independent, and strong, and yet to prevent it from sweeping away everything by its union of military and civil authority, by the influence of patronage, and office, and favor; this indeed was difficult.

"I do not wish to impair the power of the President as it stands written down in the Constitution. But . . . I will not blindly confide, where all experience admonishes me to be jealous; I will not trust executive power, vested in the hands of a single magistrate, to keep the vigils of liberty."

He spoke those words 123 years ago; but they could as well have been spoken but yesterday.

Men Who Lose Faith

There are many who have lost faith in this early American ideal and believe in a form of socialistic, totalitarian rule, a sort of big-brother deity to run our lives for us. They no longer believe that free men can manage their own affairs. Their central thesis is to take your money away from you on the presumption that a handful of men, centered in government, largely bureaucratic, not elected, can spend the proceeds of your toil and labor to greater advantage than you who create the money. Nowhere in the history of the human race is there justification for this reckless faith in political power. It is the oldest, most reactionary of all forms of social organization. It was tried out in ancient Babylon, ancient Greece and ancient Rome; in Mussolini's Italy, in Hitler's Germany, and in all communist countries. Wherever and whenever it has been attempted, it has failed utterly to provide economic security, and has generally ended in national disaster. It embraces an essential idiocy, that individuals who, as private citizens, are not able to manage the disposition of their own earnings, become in public office supermen who can manage the affairs of the world.

The Soviets have tried to legislate the perfect society; and today the average Soviet citizen has little more freedom and less comfort than the inmates of American jails. The old American philosophy of government more effectively promoted the ideal of human freedom, with greater material abundance for more people, than any social system ever propounded; freedom to live under the minimum of restraint—freedom to make your own mistakes if you will. The fundamental and ultimate issue at stake, therefore, is not merely our money, it is liberty, itself; the excessive taxation of an overgrown government versus personal freedom; a least common denominator of mediocrity against the proven progress of pioneering individualism; the free enterprise system or the cult of blind conformity; the robot or the free man.

On Sept. 12, 1952, Senator Robert Taft conferred at Morningside Heights with his successful convention rival for the nomination for the Presidency of the United States, General Eisenhower. They later issued a manifesto containing the following statement:

"There is and has been one great fundamental issue . . . it is the issue of liberty against the creeping socialization in every domestic field. Liberty was the foundation of our government, the reason for our growth, the basis of our happiness and the hope of our future. The greatest threat to liberty today is internal, from the constant growth of big government through the constantly increasing power and spending of the Federal Government . . . The essential thing is to keep our expenditures . . . at a percentage of our total income which will not destroy our free economy at home and further inflate our debt and our currency."

How I wish that instead of my feeble voice I could sound those words as though they were written in blazing rainbow colors on the very arch of the sky.

Securities Salesman's Corner

By JOHN DUTTON

Don't Overlook the Conservative Investor

I am beginning to wonder if those of us in the investment securities business as brokers and dealers in general market securities, are not overemphasizing "capital gains" as an incentive to investors. For the past few years the words "growth stocks" and "buy for capital appreciation" have been paraded before the investing public in advertising (and in the conversations we have had with clients) to an extent never before known since we have had an investment business. The inflationary conditions, and the high tax rates on income have, of course, added to the seeking and searching for common stocks that could grow in value. In many instances the results have been phenomenally good. In others, if you look around and go over the past recommendations of some of even the most astute analysts, you will find some pretty sad disappointments. Although the record has been good, it hasn't been a one way street by any means.

There Are Billions Still in Conservative Places

My point is that there are still many investors who are not yet convinced that they should go all out for widely fluctuating common stocks. Take a look at the billions still in government bonds, in tax exempts, in savings institutions. Look at the life insurance sales still soaring to new highs every month, and this with all the talk of inflation. There are millions of investors who are even now seeking a safe haven for their funds. There is still plenty of confidence in these time tested, old fashioned, investments that are tied to the steadily depreciating American dollar.

These people are not going to be lured out of their "dollar type investments" by so-called invitations to "capital gains" or scare talk about inflation. The people who have the bulk of their savings in this type of investment have done so because they were psychologically adapted to the most conservative and soundest (so considered) forms of investment. Many of these individuals are just not "risk takers." They have placed what they believe is security for their savings ahead of income, capital gains, and the rise in the cost of living. Many of these people don't understand stocks. They are in plain language, afraid to "play the market." Although we know that good common stocks have been one of the most attractive forms of investment during the past 25 years, there are still millions of people who associate common stocks with a form of gambling, with risk taking, and with hazards.

How Do You Reach These Investors?

You reach people and gain their understanding and cooperation by showing them something that is familiar to them. You sell them **what they believe to be safety** and you take it easy, a bit at a time. You don't push a young child into the water when it is screaming with fright if you expect it to swim. You take it easy. First there is a step or two in shallow water, then a splash and a small wave. You rest a while and you play in the sand, then you go a little deeper but you never command — you make a game of it. This is the same emotional situation you must work with when it comes to encouraging the purchase of common stock by individuals who heretofore have been adverse to investing in equities and other types of securities.

Start with the most conservative securities. There are exceptional advantages today in tax-exempt bonds over taxable savings accounts. In almost every county in the land, bond issues are going to be sold to build more schools, more water systems, more sewer systems, and better roads. Try some advertising about tax-exempts and bring it down to earth. Tell the man who has all his money in taxable "dollar type" investments what he can do with it when he buys the safest form of "dollar type" securities that are available in his own home community. You can start here and you can make a good case for $35 of income per $1,000 of investment TAX FREE which is backed up by the faith and credit and taxes of his own home town.

And after you start there and your investor has made the first step let him buy a few shares of A. T. & T. if he wants it. For years I have heard investment men say, "Look at the record. Look at the last 10 years. If I couldn't have done better than that I would have quit trying." But look at the record. The dividend has been $9 a share year in and year out and there have been valuable rights. The people who own Telephone like it, they seem to be satisfied. They have confidence in it and they know that we couldn't exist today without the telephone. For these people who are just learning to know about common stocks, and for those who are emotionally adjusted to buying Telephone, let them buy it! Yes, encourage them to buy it. It is still a $9 dividend they can count on and for them it is good.

After you get started and those new clients you would like to acquire get their feet wet (a little at a time) then you can sell them a good Mutual Fund, some high grade blue chips, and even a few growth type (inflation hedge) common stocks — but that will come later. You have to learn to crawl before you can walk, and then you learn to run!

Eric S. Heymann

Eric S. Heymann of Forest Hills, N. Y., a member of the New York Stock Exchange, passed away July 23 at the age of 53, while on a trip to Switzerland.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 4	§82.2	*79.4	78.5	16.9
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 4	§2,103,000	*2,033,000	2,009,000	415,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 19	6,947,100	6,882,050	7,237,900	7,110,800
Crude runs to stills—daily average (bbls.)	July 19	¶7,749,000	7,972,000	7,859,000	8,076,000
Gasoline output (bbls.)	July 19	26,469,000	26,861,000	27,313,000	26,954,000
Kerosene output (bbls.)	July 19	1,717,000	1,752,000	1,895,000	2,063,000
Distillate fuel oil output (bbls.)	July 19	12,043,000	13,000,000	11,751,000	12,760,000
Residual fuel oil output (bbls.)	July 19	7,539,000	7,739,000	7,716,000	7,868,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 19	178,267,000	181,973,000	189,225,000	178,352,000
Kerosene (bbls.) at	July 19	29,627,000	29,253,000	27,975,000	28,369,000
Distillate fuel oil (bbls.) at	July 19	129,798,000	125,564,000	110,282,000	103,734,000
Residual fuel oil (bbls.) at	July 19	48,314,000	47,020,000	43,885,000	42,164,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 20	743,359	691,991	746,764	648,492
Revenue freight received from connections (no. of cars)	July 20	571,289	481,118	623,086	564,277
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 25	$393,636,000	$386,363,000	$330,135,000	$396,896,000
Private construction	July 25	113,616,000	202,280,000	136,239,000	240,637,000
Public construction	July 25	280,020,000	184,083,000	193,896,000	156,259,000
State and municipal	July 25	233,782,000	141,904,000	155,184,000	115,533,000
Federal	July 25	46,238,000	42,139,000	38,712,000	40,726,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 20	10,080,000	*7,550,000	10,395,000	9,047,000
Pennsylvania anthracite (tons)	July 20	437,000	77,000	639,000	579,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 20	101	104	119	96
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 27	12,243,000	12,306,000	12,111,000	11,295,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 25	228	266	271	274
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 23	5.967c	5.967c	5.670c	5.179c
Pig iron (per gross ton)	July 23	$66.15	$64.95	$64.56	$60.61
Scrap steel (per gross ton)	July 23	$53.83	$54.17	$54.83	$49.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 24	28.600c	28.750c	28.850c	39.375c
Export refinery at	July 24	26.775c	26.900c	27.175c	36.375c
Lead (New York) at	July 24	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	July 24	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	July 24	10.500c	10.500c	11.000c	14.000c
Zinc (East St. Louis) at	July 24	10.000c	10.000c	10.500c	13.500c
Aluminum (primary pig, 99%) at	July 24	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	July 24	96.000c	96.000c	97.625c	95.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 30	86.81	86.32	86.33	93.28
Average corporate	July 30	91.62	91.91	92.93	103.64
Aaa	July 30	95.47	95.92	96.54	107.09
Aa	July 30	93.82	94.26	95.16	105.52
A	July 30	92.06	92.50	93.97	103.47
Baa	July 30	85.46	85.59	86.38	98.73
Railroad Group	July 30	89.92	89.92	91.34	101.97
Public Utilities Group	July 30	92.64	92.93	94.26	103.97
Industrials Group	July 30	92.20	93.08	93.08	104.66
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 30	3.64	3.69	3.69	3.03
Average corporate	July 30	4.30	4.28	4.21	3.53
Aaa	July 30	4.04	4.01	3.97	3.33
Aa	July 30	4.15	4.12	4.06	3.42
A	July 30	4.27	4.24	4.14	3.54
Baa	July 30	4.75	4.74	4.68	3.83
Railroad Group	July 30	4.42	4.42	4.32	3.63
Public Utilities Group	July 30	4.23	4.21	4.12	3.51
Industrials Group	July 30	4.26	4.20	4.20	3.47
MOODY'S COMMODITY INDEX	July 30	429.7	427.7	424.5	411.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 20	249,882	199,159	230,949	226,750
Production (tons)	July 20	264,778	153,861	275,348	249,020
Percentage of activity	July 20	87	55	93	89
Unfilled orders (tons) at end of period	July 20	464,699	488,517	372,551	493,626
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 26	110.27	110.21	110.15	108.99
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 6	1,282,590	1,307,310	1,248,990	1,093,180
Short sales	July 6	234,570	227,670	219,690	170,930
Other sales	July 6	1,008,240	1,134,930	1,043,990	935,580
Total sales	July 6	1,242,810	1,362,600	1,263,680	1,106,510
Other transactions initiated on the floor—					
Total purchases	July 6	218,450	246,100	211,520	261,490
Short sales	July 6	17,700	29,200	15,800	7,600
Other sales	July 6	215,360	218,990	218,520	237,690
Total sales	July 6	233,060	248,190	234,320	245,290
Other transactions initiated off the floor—					
Total purchases	July 6	480,800	452,091	371,930	434,823
Short sales	July 6	78,050	84,090	102,450	72,270
Other sales	July 6	446,009	445,372	387,990	483,103
Total sales	July 6	524,059	529,462	490,440	555,373
Total round-lot transactions for account of members—					
Total purchases	July 6	1,931,840	2,005,501	1,832,440	1,789,493
Short sales	July 6	330,320	340,960	337,940	250,800
Other sales	July 6	1,669,609	1,799,292	1,650,500	1,656,373
Total sales	July 6	1,999,929	2,140,252	1,988,440	1,907,173
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 6	1,177,427	1,243,296	1,040,077	922,843
Dollar value	July 6	$61,855,993	$67,174,539	$58,590,113	$49,804,582
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 6	894,184	918,676	887,430	751,229
Customers' short sales	July 6	4,169	4,958	7,490	6,099
Customers' other sales	July 6	890,015	913,718	879,940	745,130
Dollar value	July 6	$45,994,118	$47,024,644	$44,688,041	$39,103,645
Round-lot sales by dealers—					
Number of shares—Total sales	July 6	194,240	207,870	237,090	192,420
Short sales	July 6	------	------	------	------
Other sales	July 6	194,240	207,870	237,090	192,420
Round-lot purchases by dealers—					
Number of shares	July 6	516,370	536,590	354,260	352,230
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 6	403,490	405,140	428,110	317,300
Other sales	July 6	9,260,960	9,471,820	8,802,590	7,869,010
Total sales	July 6	9,664,450	9,876,960	9,230,700	8,186,310
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 23	118.0	118.0	117.1	114.1
Farm products	July 23	93.4	*92.9	90.2	90.8
Processed foods	July 23	106.6	*107.1	105.1	102.4
Meats	July 23	97.5	99.2	91.3	81.9
All commodities other than farm and foods	July 23	125.5	*125.5	125.2	121.4

*Revised figure. ¶Includes 1,286,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of June (in thousands)	$193,303,000	$197,181,000	$186,540,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of May (Millions of dollars):			
Manufacturing	$52,800	*$52,600	$48,600
Wholesale	13,000	*13,100	12,700
Retail	23,900	23,700	23,900
Total	$89,700	*$89,300	$85,100
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of June 30 (000's omitted)	$454,000	$483,000	$476,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of June:			
All manufacturing (production workers)	12,935,000	*12,886,000	13,108,000
Durable goods	7,575,000	*7,587,000	7,636,000
Nondurable goods	5,360,000	*5,299,000	5,472,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	104.6	*104.2	*106.0
Payroll indexes (1947-49 Average=100)—All manufacturing	163.1	*160.9	*158.5
Estimated number of employees in manufacturing industries—			
All manufacturing	16,826,000	*16,748,000	16,825,000
Durable goods	9,879,000	*9,880,000	9,800,000
Nondurable goods	6,947,000	*6,868,000	7,025,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of June:			
Weekly earnings—			
All manufacturing	$82.59	$81.78	$79.19
Durable goods	88.70	*87.64	85.27
Nondurable goods	73.90	*73.13	70.95
Hours—			
All manufacturing	39.9	39.7	40.2
Durable goods	40.5	40.2	40.8
Nondurable goods	39.1	*38.9	39.2
Hourly earnings—			
All manufacturing	$2.07	$2.06	$1.97
Durable goods	2.19	*2.18	2.09
Nondurable goods	1.89	1.88	1.81
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of May:			
Death benefits	$233,600,000	$228,100,000	$212,300,000
Matured endowments	63,200,000	63,500,000	55,900,000
Disability payments	9,400,000	9,800,000	9,600,000
Annuity payments	44,600,000	44,100,000	41,700,000
Surrender values	108,700,000	110,600,000	86,400,000
Policy dividends	92,000,000	104,700,000	92,200,000
Total	$551,500,000	$560,800,000	$498,100,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of May (000,000's omitted):			
Ordinary	$3,970	*$3,828	*$2,983
Industrial	574	*569	*602
Group	1,680	*1,510	*1,018
Total	$6,224	*$5,907	*$4,603
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES — Month of May (million of dollars):			
Inventories—			
Durables	$30,667	*$30,569	$28,123
Nondurables	22,165	*22,008	20,443
Total	$52,832	*$52,577	$48,566
Sales	28,586	*28,586	27,814
MONEY IN CIRCULATION—TREASURY DEPT. As of May 31 (000's omitted)	$30,836,000	$30,519,000	$30,513,000
NEW YORK STOCK EXCHANGE—As of June 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,917,878	$2,833,264	$2,819,641
Credit extended to customers	31,244	39,059	33,934
Cash on hand and in banks in U. S.	321,144	319,579	329,774
Total of customers' free credit balances	820,376	817,190	836,137
Market value of listed shares	227,927,859	228,584,529	218,5[illegible]
Member value of listed bonds	98,482,499	100,060,628	104,288,895
Member borrowings on U. S. Govt. issues	120,310	75,512	65,834
Member borrowings on other collateral	2,274,712	2,211,152	2,390,691
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of June (in billions):			
Total personal income	$343.8	*$342.9	*$325.2
Wage and salary receipts, total	239.2	*238.3	*225.6
Commodity producing industries	102.8	*102.4	97.7
Distributing industries	63.6	*63.4	59.6
Service industries	33.1	*33.0	*30.7
Government	39.7	*39.5	*37.6
Less employees' contribution for special insurance	6.8	*6.8	*5.7
Other labor income	7.9	*7.8	*7.5
Proprietors and rental income	50.8	*50.8	*50.0
Personal interest income and dividends	31.2	*31.2	*29.4
Total transfer payments	21.5	*21.6	*18.4
Total nonagricultural income	326.3	*327.5	*309.8
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—As of June 15:			
All farm products	244	243	245
Crops	241	244	261
Commercial vegetables, fresh	283	315	290
Cotton	270	266	273
Feed, grains and hay	173	179	192
Food grains	218	225	219
Fruit	246	228	261
Oil-bearing crops	260	263	259
Potatoes	152	156	334
Tobacco	457	457	453
Livestock	245	241	231
Dairy products	247	248	245
Meat animals	287	278	251
Poultry and eggs	145	144	172
Wool	317	310	235
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of May (000's omitted):			
Savings and loan associations	$839,887	$797,509	$872,304
Insurance companies	124,820	115,540	158,375
Bank and trust companies	373,559	357,498	507,942
Mutual savings banks	120,520	110,173	152,085
Individuals	314,405	306,070	318,133
Miscellaneous lending institutions	371,079	357,151	425,359
Total	$2,144,270	$2,043,941	$2,434,198

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• All America Expansion Corp., Pasadena, Calif.
May 3 filed 184,000 shares of common stock, of which 92,000 shares are to be offered to public and 92,000 shares issued to promoters. **Price**—To public, $1 per share; no proceeds from sale to promoters. **Proceeds**—For general corporate purposes. **Business**—Purchase and resale of oil fruits grown in Brazil and other countries. **Underwriter**—None. LeRoy R. Haynes, of Pasadena, Calif., is President. Statement effective July 23.

Allied Paper Corp., Chicago, Ill.
July 15 filed 21,000 shares of common stock (par $8) to be offered in exchange for outstanding common stock of Allied-Albany Paper Corp. on the basis of 5/22nd of a share of Allied stock for each share of Allied-Albany stock; offer to expire on Sept. 6.

Alsco, Inc., Akron, Ohio
June 28 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion, repayment of loans and for working capital. **Underwriter**—To be named by amendment.

★ American Guardian Life Insurance Co.
July 15 (letter of notification) 15,000 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For capital and surplus accounts. **Office**—1106 Desert Bldg., Salt Lake City, Utah. **Underwriter**—None.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

American Trailer Co., Washington, D. C.
July 11 (letter of notification) $120,000 of 10-year 6% first mortgage bonds (in denominations of $1,000 each), 120 warrants for common stock and 1,500 shares of common stock (no par). Each $1,000 bond has detachable warrants for 10 common shares at $15 per share exercisable at any time through June 30, 1959. **Price**—Of bonds, at par. **Proceeds** — For construction and improvements, payment of debts and working capital. **Office**—5020 Wisconsin Ave., Washington, D. C. **Underwriter**—Mackall & Coe, Washington, D. C.

Apache Oil Corp., Minneapolis, Minn.
July 22 filed 200 participating units in Apache Oil Program 1958. **Price**—$10,000 per unit. **Proceeds**—To acquire, develop and operate oil and gas leaseholds; and for other corporate purposes. Underwriter none; sales to be made through corporation and APA, Inc., its subsidiary.

★ Atlantic Refining Co. (8/20)
July 30 filed $100,000,000 of convertible subordinated debentures due Aug. 15, 1987. **Price**—To be supplied by amendment. **Proceeds** — To repay $81,000,000 of bank loans and for acquisition and development of production properties and for acquisition and improvement of refining, marketing and transportation facilities. **Underwriter**—Smith, Barney & Co., New York.

★ Axe-Houghton Fund A, Inc.
July 25 filed (by amendment) 1,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds** —For investment. **Office**—Tarrytown, N. Y.

★ Bridgeview Towers Associates, Fort Lee, N. J.
July 25 filed $360,000 of participations in partnership interests. **Price**—$10,000 each participation (minimum). **Proceeds**—To buy an apartment building. **Underwriter** —None.

C & D Batteries, Inc.
March 28 (letter of notification) 14,000 shares of common stock (par $10) to be offered for subscription by stockholders and employees. **Price**—$12.50 per share. **Proceeds** — For machinery, equipment, inventories and working capital. **Office** — Washington and Cherry Sts., Conshohocken, Pa. **Underwriter**—None.

Calidyne Corp., Winchester, Mass.
May 1 filed $1,250,000 of Limited Partnership Interests to be offered first to present limited partners at the rate of one $1,000 unit for each $1,000 of his present investment; then to public. **Price**—$1,000 per unit. **Proceeds** — To construct plant; to purchase machinery and equipment; and to reduce outstanding demand notes. **Business**—Produces electro-dynamic shaker and other vibration test equipment. **Underwriter**—None. Robert C. Lewis, Philip C. Efromson and Thomas Gouzoula, all of Winchester, Mass., are the general partners of this Massachusetts Limited Partnership.

Cameron Industries, Inc., New York (8/9)
June 7 filed 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Underwriter**—R. G. Worth & Co., Inc., New York.

Caramba Mokafe Corp. of America
July 12 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, inventory and working capital. **Office**—701 Monroe St., Hoboken, N. J. **Underwriter**—Garden State Securities, Hoboken, N. J.

★ Carolina Natural Gas Corp., Hickory, N. C. (8/15)
July 26 filed $1,600,000 first mortgage 6% bonds due Aug. 1, 1982, $800,000 6½ sinking fund subordinated debentures due Aug. 1, 1977, and 112,000 shares of common stock (par $1) to be offered in units of $100 of bonds, $50 of debentures and seven shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For new construction, etc. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill., and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

★ Celotex Corp. (8/20-21)
July 31 filed 150,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For working capital and general corporate purposes. **Underwriters** — Hornblower & Weeks and Eastman Dillon, Union Securities & Co., both of New York.

Central Telephone Co., Lincoln, Neb. (8/15)
July 15 filed $1,750,000 of convertible subordinated debentures due July 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to purchase properties and to make advances to and investments in stock of subsidiaries. **Underwriters**—Paine, Webber, Jackson & Curtis, New York; and Loewi & Co., Milwaukee, Wis.

• Charter Oil Co. Ltd. (Canada) (8/5-7)
July 11 filed $2,250,000 of 15-year subordinated convertible debentures due Aug. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans, for exploration and development of properties and for general corporate purposes. **Underwriters** — Lehman Brothers and Bear, Stearns & Co., both of New York, to handle sales in the United States; part to be sold in Canada through Canadian underwriters.

Chess Uranium Corp. (8/20)
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

Coastal Chemical Corp., Yazoo City, Miss.
May 1 filed 150,000 shares of class C common stock to be offered for sale to farmers and other users of fertilizer materials. **Price**—At par ($25 per share). **Proceeds**—To construct and operate facilities for manufacture of anhydrous ammonia. **Underwriter**—Mississippi Chemical Corp., Yazoo City, Miss.

★ Coastal States Gas Producing Co. (8/20-21)
July 30 filed 150,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — Together with other funds, to purchase 150,659 shares of common stock from an estate for an aggregate amount of $1,054,613, and for working capital and other corporate purposes. **Underwriters** — Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York.

• Comico Corp., Memphis, Tenn. (8/15)
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.82 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., Montreal, Canada.

Conticca International Corp., Chicago, Ill.
March 13 filed 558,100 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** — To discharge current notes payable, including bank loans, and long term debt in the total sum of approximately $1,030,000; for new equipment; and for working capital. **Underwriters** — Allen Shaw & Co., 405 Lexington Ave., New York 17, N. Y.; and Shaw & Co., San Marino, Calif.

Continental Mineral Resources, Inc.
June 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—c/o Registrar & Transfer Agent, Nevada Agency & Trust Co., Cheney Bldg., Reno, Nev. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Continental Mines & Metals Corp., Paterson, N.J.
April 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of properties. **Underwriter** — Leward M. Lister & Co., Boston, Mass.

Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J. **Offering**—Expected this month (July).

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

★ Eastern Oregon Natural Gas Co.
July 22 (letter of notification) 35,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For installation of a distributing system, including meters, fittings, etc. **Office**—710 S. Oregon St., Ontario, Ore. **Underwriter**—None.

★ Eastern Slope Multi-Metal Corp.
July 15 (letter of notification) 140,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—3531 Oneida, Denver, Colo. **Underwriter**—None.

★ Educators' Investment Corp. of Alabama
July 23 (letter of notification) 10,000 shares of 5% cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—For capital expansion. **Office**—1704—11th Ave. South, Birmingham, Ala. **Underwriter**—None.

• Federal Insurance Co.
June 7 filed 400,000 shares of capital stock (par $4) being offered in exchange for 100,000 shares of Colonial Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer has become effective upon acceptance by holders of more than 86% of Colonial stock and will continue to and including Aug. 16, unless extended. **Dealer-Managers**—The First Boston Corp. and Spencer Trask & Co., both off New York. **Exchange Agent**—Fidelity Union Trust Co., Newark, N. J.

★ First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

★ First Security Bond & Mortgage Corp.
July 24 (letter of notification) 25,000 shares of preferred stock (par $10) and 12,500 shares of common stock (par $1) to be offered in units of two shares of preferred and one share of common. **Price**—$21 per unit. **Proceeds**—For working capital. **Office**—36 West Bay St., Alhambra, Calif. **Underwriter**—None.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

Fluorspar Corp. of America
May 28 (letter of notification) 30,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—$3.50 per share. **Proceeds**—For mining operations. **Office**—433 S. E. 74th Ave., Portland, Ore. **Underwriter**—None.

Frigikar Corp.
June 6 (letter of notification) 9,000 shares of common stock (par 50 cents). **Price** — At market (estimated $5.50 per share). **Proceeds**—To go to Daniel D. Dillingham. **Office**—1602 Cochran St., Dallas, Texas. **Underwriter**—Muir Investment Corp., San Antonio, Texas.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

★ General Motors Acceptance Corp. (8/7)
July 25 filed $100,000,000 of debentures, due Aug. 15, 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Morgan Stanley & Co., New York.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary cor-

poration and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

● General Telephone Co. of the Southeast
July 18 filed 120,000 shares of 5.80% cumulative preferred stock (par $25) to be offered in exchange for the following outstanding securities on a share-for-share basis, plus, in each case, cash equivalent to the redemption premium for each such share offered in exchange: 5½% and 6% cumulative preferred stocks of Durham Telephone Co., the 6% cumulative preferred stock of Georgia Continental Telephone Co., and the 5½% cumulative preferred stock of South Carolina Continental Telephone Co. and of Southern Continental Telephone Co. This offer will expire on Aug. 30, 1957. All shares not surrendered for exchange will be redeemed in September, 1957. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

General Telephone Corp., New York
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) being offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. No exchange of preferred stock will be made unless at least 80% of the Peninsular preferred stock is exchanged. Offer will expire on Aug. 14. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Genie Craft Corp., Washington, D. C.
June 28 (letter of notification) $150,000 of 10-year 6% subordinate convertible debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—To discharge short term obligations and for working capital. **Office**—1022 18th St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

★ Genung's Inc., Mount Vernon, N. Y. (8/19)
July 26 filed $500,000 of 6½% convertible debentures due 1977 and 20,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for increased inventories and other corporate purposes. **Underwriter**—P. W. Brooks & Co. Inc., New York.

● Getty Oil Co., Wilmington, Del.
June 17 filed 100,000 shares of common stock (par $4) being offered for sale from time to time on the New York Stock Exchange. Certain private placements may be made. **Price**—Either at the market or at a price not lower than the bid price nor higher than the asking price quoted on the Exchange at time of such offering. **Proceeds**—To J. Paul Getty, President, who is the selling stockholder. **Underwriter** — None. Statement effective July 22.

Gibbs Automatic Moulding Corp.
May 22 filed $1,000,000 of 6% convertible debentures due March 31, 1967. **Price**—At par. **Proceeds**—To increase company's activities and for working capital. **Office**—Henderson, Ky. **Underwriter**—Cook Enterprise, Inc., 111 S. 7th St., Terre Haute, Ind.

NEW ISSUE CALENDAR

August 2 (Friday)
Precision Transformer Corp.____________Debentures
(John R. Boland & Co., Inc.) $299,880

August 5 (Monday)
Charter Oil Co., Inc.____________Debentures
(Lehman Brothers and Bear, Stearns & Co.) $2,250,000

August 6 (Tuesday)
McDermott (J. Ray) & Co., Inc.________Debentures
(Offering to common stockholders—underwritten by Dominick & Dominick and Kidder, Peabody & Co.) $20,292,000

Sanders Associates, Inc.__________Class A Common
(Kidder, Peabody & Co.) 110,000 shares

August 7 (Wednesday)
General Motors Acceptance Corp._______Debentures
(Morgan Stanley & Co.) $100,000,000

Indianapolis Power & Light Co._________Preferred
(Lehman Brothers; Goldman, Sachs & Co.; and The First Boston Corp.) $6,000,000

August 9 (Friday)
Cameron Industries, Inc._____________Common
(R. G. Worth & Co., Inc.) $300,000

August 12 (Monday)
Walter (Jim) Corp.____________Bonds & Common
(Carl M. Loeb, Rhoades & Co. and Prescott, Shepard & Co., Inc.) $2,425,000

August 13 (Tuesday)
Northern States Power Co. (Minn.)________Bonds
(Bids 10 a.m. CDT) $18,000,000

Thompson Products, Inc.____________Debentures
(Offering to common stockholders—underwritten by Smith, Barney & Co. and McDonald & Co.) $19,729,500

August 15 (Thursday)
Carolina Natural Gas Corp.__Bonds, Debs. & Com.
(Cruttenden, Podesta & Co. and Odess, Martin & Herzberg, Inc.) $1,600,000 bonds, $800,000 debentures and 112,000 shares of stock

Central Telephone Co._______________Debentures
(Paine, Webber, Jackson & Curtis and Loewi & Co.) $1,750,000

Comico Corp. _______________________Common
(Southeastern Securities Corp.) $1,500,000

August 19 (Monday)
Genung's Inc. ______________________Debentures
(P. W. Brooks & Co. Inc.) $500,000

Two Guys From Harrison, Inc.___Class A Common
(Bache & Co.) 200,000 shares

August 20 (Tuesday)
Celotex Corp. ________________________Common
(Hornblower & Weeks and Eastman Dillon, Union Securities & Co.) 150,000 shares

Chess Uranium Corp.__________________Common
(Jean R. Veditz Co., Inc.) $300,000

Coastal States Gas Producing Co._________Common
(Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated) 150,000 shares

Pacific Telephone & Telegraph Co.____Debentures
(Bids to be invited) $90,000,000

August 22 (Thursday)
Holiday Inns of America, Inc.___________Common
(Equitable Securities Corp.) 120,000 shares

August 27 (Tuesday)
El Paso Natural Gas Co.__Debentures & Preferred
(White, Weld & Co.) $70,000,000

Southern California Edison Co._____________Bonds
(Bids to be invited) $40,000,000

August 28 (Wednesday)
Public Service Electric & Gas Co.___________Bonds
(Bids to be invited) $60,000,000

August 31 (Saturday)
Pacific Telephone & Telegraph Co.______Common
(Offering to stockholders—no underwriting) 1,822,523 shares

September 3 (Tuesday)
Cincinnati & Suburban Telephone Co.____Common
(Offering to stockholders—no underwriting)

September 4 (Wednesday)
Louisville Gas & Electric Co._____________Bonds
(Bids to be invited) $15,000,000

September 10 (Tuesday)
Duke Power Co._________________________Bonds
(Bids to be invited) $50,000,000

September 11 (Wednesday)
New Jersey Bell Telephone Co._______Debentures
(Bids to be invited) $30,000,000

September 12 (Thursday)
Philadelphia Electric Co._________________Bonds
(Bids to be invited) $40,000,000

September 17 (Tuesday)
Consolidated Natural Gas Co._________Debentures
(Bids 11:30 a.m. EDT) $30,000,000

September 18 (Wednesday)
Norfolk & Western Ry._____Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000

Pacific Power & Light Co.________________Bonds
(Bids to be invited) $20,000,000

September 23 (Monday)
Consumers Power Co._____________________Bonds
(Bids 11:30 a.m. EDT) $35,000,000

September 24 (Tuesday)
Utah Power & Light Co.__________________Bonds
(Bids to be invited) $15,000,000

Utah Power & Light Co.________________Common
(Bids to be invited) 400,000 shares

September 25 (Wednesday)
Northern Illinois Gas Co.______Bonds or Preferred
(Bids to be invited) $8,000,000 to $10,000,000

October 1 (Tuesday)
Southwestern Bell Telephone Co._____Debentures
(Bids to be invited) $100,000,000

October 3 (Thursday)
Columbia Gas System, Inc.____________Debentures
(Bids to be invited) $25,000,000

October 8 (Tuesday)
Commonwealth Edison Co._____Bonds or Preferred
(Bids to be invited) $25,000,000 to $50,000,000

October 9 (Wednesday)
Public Service Co. of Indiana, Inc._________Bonds
(Bids to be invited) $30,000,000

October 15 (Tuesday)
Indiana & Michigan Electric Co.___________Bonds
(Bids 11 a.m. EST) $20,000,000

October 16 (Wednesday)
Consumers Power Co.__________________Debentures
(Offering to common stockholders—bids noon EDT) $35,156,760

October 22 (Tuesday)
Consolidated Edison Co. of New York, Inc.___Bonds
(Bids 11 a.m. EDT) $50,000,000

October 29 (Tuesday)
American Telephone & Telegraph Co.___Debentures
(Bids to be invited) $250,000,000

November 19 (Tuesday)
Ohio Power Co.__________________________Bonds
(Bids 11 a.m. EST) $28,000,000

Ohio Power Co.________________________Preferred
(Bids 11 a.m. EST) $7,000,000

December 3 (Tuesday)
Virginia Electric & Power Co._____________Bonds
(Bids to be invited) $20,000,000

Great Lakes Natural Gas Corp.
July 15 filed 779,393 shares of common stock (par 50 cents) to be offered for subscription by common stockholders of Great Lakes Oil & Chemical Co. on basis of one-fourth share of Natural Gas stock for each share of Oil & Chemical stock. **Price**—$1.25 per share. **Proceeds**—For exploration costs, improvements, expansion, etc. **Office** — Los Angeles, Calif. **Underwriter** — Dempsey-Tegeler & Co., St. Louis, Mo.

★ Holiday Inns of America, Inc. (8/22)
July 26 filed 120,000 shares of common stock (par $1.50). **Price** — To be supplied by amendment. **Proceeds** — For working capital and for construction program. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

★ Incorporated Income Fund, Boston, Mass.
July 29 filed (by amendment) 2,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

● Indianapolis Power & Light Co. (8/7)
July 18 filed 60,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Lehman Brothers; Goldman, Sachs & Co.; and The First Boston Corp.; all of New York.

International Duplex Corp., San Francisco, Calif.
Dec. 21, 1956 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

● International Fidelity Insurance Co.
March 28 filed 100,000 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Franklin Securities Co., Dallas, Texas. Statement effective July 18.

International Insurance Investments, Inc.
June 10 filed 118,140 shares of common stock (par $1) and warrants to purchase 354,420 additional shares of common stock to be offered in units of one common share and three warrants to buy three common shares. **Price**—$3.75 per unit. Each warrant entitles holder to purchase one common share at $2.75 per share. **Proceeds**—To acquire stock of fire insurance unit and for general corporate purposes. **Office** — Englewood, Colo. **Underwriter**—American Underwriters, Inc., also of Englewood, Colo.

★ Iowa Southern Utilities Co. (8/20)
July 26 filed $5,000,000 of first mortgage bonds due Aug. 1, 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; White, Weld & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Dean Witter & Co. **Bids**—Expected to be received on Aug. 20.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

★ Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each share of stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

★ Madison Improvement Corp., Madison, Wis.
July 29 filed 50,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital, etc. **Underwriter**—None. Henry Behnke is President.

★ Mankato Citizens Telephone Co.
July 15 (letter of notification) 6,000 shares of common stock (no par) to be offered to present stockholders, on the basis of one new share for each five shares held; rights to expire on Aug. 15, 1957. **Price**—$50 per share. **Proceeds**—To retire bank loans. **Office**—315 S. Second St., Mankato, Minn. **Underwriter**—None.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho, Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

McDermott (J. Ray) & Co., Inc. (8/6)
July 18 filed $20,292,000 of convertible subordinated debentures due Aug. 1, 1972, to be offered for subscription by common stockholders of record Aug. 6, 1957 on the basis of $100 of debentures for each 10 common shares held; rights to expire on Aug. 20, 1957. **Price**—To

Continued on page 42

Continued from page 41

be supplied by amendment. **Proceeds**—For expansion of operations. **Underwriters**—Dominick & Dominick and Kidder, Peabody & Co., both of New York.

Mercast Corp., New York, N. Y.
June 24 filed 420,778 shares of capital stock (par 10 cents) being offered for subscription by stockholders of record July 18, 1957 on the basis of two new shares for each three shares held; rights to expire on Aug. 2. **Price**—$4.25 per share. **Proceeds**—For expansion program, to repay outstanding notes to Atlas Corp. and for working capital. **Underwriter**—None.

Merchants Co.
June 10 (letter of notification) $300,000 of 6% convertible subordinate debentures due 1972 being offered to common and preferred stockholders of record of July 11, 1957, on the basis of $125 of debentures for each 18 shares of stock held; rights to expire on Aug. 5, 1957. **Price**—At par in units of $125 each and multiples thereof. **Proceeds**—For working capital. **Office**—300 East Pine St., Hattiesburg, Miss. **Underwriter** — Lewis & Co., Jackson, Miss.

Mississippi Valley Portland Cement Co.
Dec. 26, 1956 filed 1,600,000 shares of capital stock (no par) of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

Mon-O-Co Oil Corp., Billings, Mont.
July 11 filed 22,474 shares of class A common stock and 539,376 shares of class B common stock to be offered in units of one class A share and 24 class B shares, which shall not be separately transferable until May 1, 1960. Of the units, 14,474 are to be issued in exchange for or conversion of working interests in joint lease acreage operations, etc., and 8,000 are to be offered for subscription by existing stockholders, on a pro rata basis. **Price**—$75 per unit. **Proceeds**—For development and exploration costs, etc. **Underwriter**—None.

★ **Montek Associates, Inc.**
July 16 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To purchase additional electronic test equipment, shop machinery, and to increase working capital. **Office**—2604 South State St., Salt Lake City, Utah. **Underwriter**—D. Richard Moench & Co., Salt Lake City, Utah.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mount Wilson Mines, Inc., Telluride, Colo.
June 24 filed 400,000 shares of class A common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For exploration and related purposes, including construction of a mill. **Underwriter** — Investment Service Co., Denver, Colo.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Mutual Investment Trust for Profit Sharing-Retirement Plans, Inc., Richmond, Va.
March 19 filed 50,000 shares of capital stock (par $1), to be offered trustees of profit sharing retirement plans. **Price**—At market. **Proceeds**—For investment. **President**—T. Coleman Andrews. **Office** — 5001 West Broad St., Richmond, Va.

Mutual Investors Corp. of New York
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

★ **Mutual Trust, Kansas City, Mo.**
July 26 filed (by amendment) $2,000,000 of periodic purchase plans for accumulation of shares of beneficial interest. **Underwriter**—Mutual Distributors, Inc., Kansas City, Mo.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

New Brunswick (Province of)
Dec. 14, 1956, filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

Northern States Power Co. (Minn.) (8/13)
July 3 filed $18,000,000 of first mortgage bonds due Aug. 1, 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 10 a.m. (CDT) on Aug. 13.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—725 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

★ **Pacific Telephone & Telegraph Co. (8/20)**
July 26 filed $90,000,000 of 23-year debentures due Aug. 1, 1980. **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received at Room 2315, 195 Broadway, New York, N. Y., up to 11:30 a.m. (EDT) on Aug. 20.

★ **Pacific Telephone & Telegraph Co. (8/31)**
July 26 filed 1,822,523 shares of common stock to be offered for subscription by stockholders of record Aug. 28, 1957 on the basis of one new share for each six shares of common stock and/or preferred stock held; rights to expire Sept. 30. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 90.54% of the voting stock of Pacific T. & T. Co. **Offering**—Expected some time in August.

Pancal Oil Corp.
May 13 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For oil drilling expenses. **Office**—27 William St., New York, N. Y. **Underwriter** — Bush Securities Co., New York, N. Y.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla Joseph A. Rayvis, also of Miami, is President.

● **Precision Transformer Corp. (8/2)**
June 12 (letter of notification) $294,000 of 6% 10-year convertible debentures due June 1, 1967 and 29,400 shares of common stock (par 20 cents) to be offered in units of $500 of debentures and 50 shares of stock at $510 per unit, or $100 of debentures and 10 shares of stock at $102 per unit. **Proceeds** — To repay outstanding indebtedness and for general corporate purposes. **Office**—2218 W. Lake St., Chicago, Ill. **Underwriter**—John R. Boland & Co., Inc., New York.

Pyramid Productions, Inc., New York
Sept. 27, 1956, filed 220,000 shares of com. stock (par $1) of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York. **Offering**—Date indefinite.

Resource Fund, Inc., New York
March 29 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. D. John Heyman of New York is President. **Investment Advisor**—Resource Fund Management Co., Inc., 60 Broadway, New York, N. Y.

★ **Rose Records, Inc.**
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Expected in the near future.

St. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) to be offered in exchange for the outstanding capital stock of Western Life Insurance Co., Helena, Mont., at rate of 1.39 shares of St. Paul stock for each share of Western stock. The offer is conditioned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

Sanders Associates, Inc., Nashua, N. H. (8/6)
July 12 filed 110,000 shares of class A common stock (par $1) of which 100,000 shares are to be offered publicly and 10,000 shares are to be offered for subscription by employees. **Price** — To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital and other corporate purposes. **Underwriter** — Kidder, Peabody & Co., New York.

Sareze, Inc., Miami, Fla.
June 27 (letter of notification) 50,000 shares of 30-cent cumulative convertible preferred stock (par $2) and 50,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Office**—2621 Northwest 2nd Ave., Miami, Fla. **Underwriter**—Floyd D. Cerf. Jr. Co., Chicago, Ill.

● **Seminole Oil & Gas Corp., Tulsa, Okla.**
June 24 (letter of notification) 275,000 shares of common stock (par five cents). **Price**—75 cents per share. **Proceeds** — For development of oil and gas properties. **Underwriter**—Albert & Co., Inc., New York, N. Y. **Offering**—Expected today (Aug. 1).

Sire Plan, Inc., New York
July 18 filed $4,000,000 of nine-month 8% funding notes. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

★ **Smith (Edson B.) Fund, Boston, Mass.**
July 30 filed (by amendment) 200,000 additional shares of beneficial interest. **Price**—At market. **Proceeds**—For investment.

Southern Industrial Corp., Jacksonville, Fla.
June 25 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To be added to the general funds of the company. **Underwriter** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

Steadman Investment Fund, Inc., East Orange, N. J.
May 10 filed 100,000 shares of common stock (par $1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. **Underwriter** — William Allen Steadman & Co., East Orange, N. J. **Offering**—Expected early in July.

Stratford (John G.) Film Corp.
June 27 (letter of notification) 199,999 shares of common stock (par 25 cents). **Price**—$1.50 per share. **Proceeds**—For production of films, working capital, etc. **Office**—113 West 57th St., New York. **Underwriter** — Joseph Mandell Co., New York.

Strato-Missiles, Inc.
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

● **Super Food Services, Inc.**
July 22 (letter of notification) 55,000 shares of class A stock (par $1) and 27,500 shares of class B stock (par one cent) to be offered in units of one class A share and one-half class B share. **Price**—$5.05 per unit. **Proceeds**—For working capital, etc. **Office**—c/o Donald B. Davis, Vice-President, 400 Walnut Ave., Bronx, New York, N. Y. **Underwriter** — Wm. T. Tegtmeyer & Co., Chicago, Ill.

★ **Syntex Corp. (Republic of Panama)**
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Eastern Transmission Corp.
July 22 filed 1,000,000 shares of common stock (par $7) to be offered in exchange, on a share-for-share basis, for capital stock of La Gloria Oil & Gas Co. of Corpus Christi, Tex. The offer is conditioned upon deposit of at least 81% (810,000 shares) of outstanding La Gloria stock prior to Sept. 6, 1957. Offer may be extended from time to time but not beyond Dec. 5, 1957. **Underwriter**—None.

● **Texas Glass Manufacturing Corp., Houston, Tex.**
May 28 filed 2,116,292 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

Thompson Products, Inc. (8/13)
July 24 filed $19,729,500 subordinated debentures due Aug. 1, 1982 (convertible into common stock until Aug. 1, 1967) to be offered for subscription by common stockholders in the ratio of $100 of debentures for each 14 shares of stock held of record on Aug. 12, 1957; rights to expire on Aug. 27, 1957. **Price** — To be supplied by amendment. **Proceeds**—For working capital and other general corporate purposes. **Underwriters**—Smith, Barney & Co., New York; and McDonald & Co., Cleveland, Ohio.

Titanic Oil Co.
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St. Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Truly Nolen Products, Inc.
July 19 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For plant and laboratory expansion, advertising and working capital. **Office**—6721 N. E. 4th Ave., Miami, Fla. **Underwriter**—Alfred D. Laurence & Co., Miami, Fla.

★ **Two Guys From Harrison, Inc., Newark, N. J. (8/19)**
July 25 filed 200,000 shares of class A common stock (par 10 cents). **Price**—$9 per share. **Proceeds**—For expansion and working capital. **Underwriter**—Bache & Co., New York.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Walter (Jim) Corp., Tampa, Fla. (8/12)
July 22 filed $1,250,000 of 9% subordinated bonds due Dec. 31, 2000, and 50,000 shares of common stock (par 50 cents) to be offered in units of $25 principal amount of bonds and one share of stock. **Price**—$48.50 per unit. **Proceeds**—For working capital. **Business**—Construction of "shell" homes. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York; and Prescott, Shepard & Co., Inc., Cleveland, Ohio.

★ **Wycotah Oil & Uranium, Inc., Denver, Colo.**
July 29 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes. **Underwriter**—Teden & Co., Inc., New York.

Prospective Offerings

Airborne Instruments Laboratory, Inc.
May 16 it was announced company plans to issue and sell $2,000,000 of 15-year 5¼% unsecured subordinated convertible debentures. American Research & Development Corp., owner of 31,500 shares or 15.8% of Airborne's stock, propose to purchase $320,000 of the new debentures. **Proceeds**—Together with $4,000,000 to be borrowed from institutional investors, for a building and expansion program.

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

American Telephone & Telegraph Co. (10/29)
July 17 it was announced that company plans to issue and sell $250,000,000 of debentures to be dated Nov. 1, 1957 and to mature on Nov. 1, 1983. **Proceeds**—For improvement and expansion of system. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected to be opened on Oct. 29.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately $7,500,000 of sinking fund debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Chesapeake Industries, Inc.
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

Chesapeake & Ohio Ry.
July 15 it was reported company plans to issue and sell in August about $5,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Chesapeake & Potomac Telephone Co. of Baltimore City**
July 30 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc.

Cincinnati & Suburban Telephone Co. (9/3)
July 15 it was reported company plans to offer to its stockholders of record Aug. 27, 1957, the privilege of subscribing for additional common stock on a 1-for-10 basis; rights to expire on Oct. 3, 1957. **Underwriter**—None. American Telephone & Telegraph Co. owns approximately 30% of the outstanding common stock.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Columbia Gas System, Inc. (10/3)
June 6, company announced that it plans the issuance and sale of $25,000,000 debentures later in 1957. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 3.

Columbus & Southern Ohio Electric Co.
July 22 company announced it is planning to sell publicly in October an issue of $8,000,000 par amount of cumulative preferred stock. **Price**—To be determined later. **Proceeds**—To reduce short term bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

Commerce Oil Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York.

Commonwealth Edison Co. (10/8)
June 25 company stated that it plans to offer $25,000,000 to $50,000,000 of new securities (kind not yet determined). **Proceeds** — For construction program. **Underwriter**—(1) For any preferred stock, may be The First Boston Corp. and Glore, Forgan & Co. (jointly). (2) For any bonds, to be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on Oct. 8.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc. (10/22)
Charles B. Delafield, Financial Vice-President, on July 8 announced that the company has tentatively decided to issue and sell $50,000,000 of first and refunding mortgage bonds (probably with a 30-year maturity). This may be increased to $60,000,000, depending upon market conditions. **Proceeds**—From this issue and bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on Oct. 22.

● **Consolidated Natural Gas Co. (9/17)**
July 22 it was announced company plans to issue and sell $30,000,000 debentures due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 17.

● **Consumer Power Co. (9/23)**
July 9 it was announced company plans to issue and sell $35,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 23.

Consumers Power Co. (10/16)
July 9 it was announced that the company plans, in addition to the bond financing, to offer to its common stockholders the right to subscribe for $35,156,760 convertible debentures maturing not earlier than Sept. 1, 1972, on the basis of $100 of debentures for each 25 shares of stock held. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Ladenburg, Thalman & Co. **Bids**—Expected to be received up to noon (EDT) on Oct. 16.

Cook Electric Co.
July 15 it was reported that company is planning some equity financing. **Underwriter**—Probably Blunt Ellis & Simmons, Chicago, Ill.

Detroit Edison Co.
June 27 company announced Michigan P. U. Commission has authorized issue and sale of $70,000,000 general and refunding mortgage bonds, series P, due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Coffin & Burr, Inc., and Spencer Trask & Co. (jointly). **Offering**—Expected in August.

Duke Power Co. (9/10)
April 22 it was reported company plans to issue and sell $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received on Sept. 10.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

El Paso Natural Gas Co. (8/27)
July 17 directors authorized filing early in August of a registration statement with the SEC covering the proposed issue and sale of $60,000,000 convertible debentures and $10,000,000 first preferred stock. It is planned to offer the debentures for subscription by common and common B stockholders of record Aug. 26, 1957. **Price**—To be determined later. **Proceeds**—Together with funds from private sale of $60,000,000 first mortgage pipe line bonds, for current expansion program. **Underwriter**—White, Weld & Co., New York.

Employers Group Associates
July 1 it was announced company plans to file a registration statement with the SEC covering the proposed issuance and sale of up to 88,761 additional shares of capital stock to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Expected in late August or early September.

General Telephone Co. of California
July 10 it was announced that the company has been granted authority by the California P. U. Commission to issue and sell 500,000 shares of 5% cumulative preferred

Continued on page 44

Continued from page 43

stock (par $20). **Proceeds** — For construction program. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Tire & Rubber Co.
May 10 it was announced that this company is considering an issue of $15,000,000 to $20,000,000 convertible subordinated debentures (with stock purchase warrants attached) which may first be offered for subscription by common stockholders. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected in the next few months.

Goodman Manufacturing Co., Chicago, Ill.
June 21 it was announced company plans to issue and sell 150,000 shares of capital stock (par $16.66⅔), following approval on Aug. 5 of 3-for-1 split up of present $50 par stock. **Proceeds**—For general corporate purposes.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Gulf States Utilities Co.
March 4 it was reported company plans to issue and sell $16,000,000 first mortgage bonds in November. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Lee Higginson Corp.

Gulf States Utilities Co.
April 8 it was reported company tentatively plans to issue and sell some preferred stock this year. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Idaho Power Co.
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

Indiana & Michigan Electric Co. (10/15)
May 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 15.

Jefferson Lake Sulphur Co.
Dec. 27, 1956, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of rist mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Louisville Gas & Electric Co. (9/4)
May 14 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Kidder, Peabody & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received on Sept. 4.

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Mangel Stores Corp.
June 19 it was reported early registration statement is expected of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

Middle South Utilities, Inc.
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

Molybdenum Corp. of America
July 16 it was announced company plans to offer its common stockholders the right to subscribe for about 196,851 additional shares of common stock (par $1), plus warrants to purchase an additional 196,581 shares, on the basis of one new common share and one warrant for each seven shares presently held. The holders of record date will be the fifth day following the effective date of registration with the SEC. **Proceeds**—For expansion program. **Office**—Grant Bldg., Pittsburgh, Pa. **Underwriter**—None.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Bell Telephone Co. (9/11)
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co. will be used to pay for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12, 1956, it was announced company plans to issue, and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Niagara Mohawk Power Corp.
April 22 it was reported company tentatively plans to issue and sell this fall about $40,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

Norfolk & Western Ry. (9/18)
Bids are expected to be received by the company up to noon (EDT) on Sept. 18 for the purchase from it of $4,260,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Northern Illinois Gas Co. (9/25)
July 1 this company announced that it is planning to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds**—For construction program. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc. **Bids**—Expected to be received on Sept. 25.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

Pacific Power & Light Co. (9/18)
July 19 it was reported that company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 18.

Pennsylvania Electric Co.
Sept. 12, 1956 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Permian Basin Pipe Line Co.
May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about $25,300,000 of new securities, in the following form: $15,000,000 of mortgage bonds, $3,700,000 of preferred stock and $6,600,000 of common stock. **Proceeds**—To repay advances of $9,300,000 from parent, and the remaining $16,000,000 for new construction. **Underwriter** — Glore, Forgan & Co., New York.

Philadelphia Electric Co. (9/12)
July 22 it was announced company plans sale of $40,000,000 additional bonds to mature in 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received on Sept. 12.

• Public Service Co. of Indiana, Inc. (10/9)
July 29 it was announced that it is expected that a new series of $30,000,000 first mortgage bonds will be issued and sold by the company. **Proceeds**—To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Oct. 9.

• Public Service Electric & Gas Co. (8/28)
July 19 it was reported company plans to issue and sell $60,000,000 of first and refunding mortgage bonds due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Expected to be received on Aug. 28.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern California Edison Co. (8/27)
July 23 it was announced company plans to issue and sell $40,000,000 of first and refunding mortgage bonds, series J, due 1982. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Expected to be received on Aug. 27.

Southern Union Gas Co.
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

Southwestern Bell Telephone Co. (10/1)
May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds** — For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids** — Tentatively expected to be received on Oct. 1.

★ Superior Tool & Die Co.
July 26 it was announced company plans to issue and sell 150,000 shares of 70-cent cumulative convertible preferred stock (par $10). **Price**—Expected to be between $11.12½ and $11.50 per share, depending upon market conditions. **Proceeds**—To discharge a note of $1,160,500 held by City Industrial Co. in connection with acquisition of Bethlehem Foundry & Machine Co. common

stock and for working capital and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

Utah Power & Light Co. (9/24)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Sept. 24.

Utah Power & Light Co. (9/24)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Sept. 24.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder Peabody & Co., New York.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White Weld & Co. **Bids**—Expected to be received on Dec. 3

★ **Westcoast Transmission Co., Ltd.**
July 25 it was announced company plans to issue and sell $25,000,000 of convertible subordinated debentures. **Proceeds** — For construction program. **Underwriter** — Eastman Dillon, Union Securities & Co., New York. **Offering**—Expected late in August.

Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock. **Proceeds** — For construction program and to repay bank loans. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. (2) For any common stock (first to stockholders on a 1-for-10 basis): The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co. (jointly). **Registration**—Of bonds in September; and of stock in August.

Wisconsin Southern Gas Co., Inc.
July 8 it was reported company plans to offer up to $300,000 of additional common stock to its stockholders. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Our Reporter's Report

The corporate new issue market appears to have moved just about to the bottom of the midsummer trough which develops along about this time every year. The current week brought only a smattering of offerings and the period ahead promises little more, if as much.

But investment bankers and their distributing organizations will not be keenly disappointed since the current lull has been indicated for a considerable time if one glanced at the forward calendar.

The major consideration at the moment is that the secondary market seems to be developing along lines that should act as a satisfactory backdrop for the large outpouring of corporate debt securities which appears to be ahead for the post-Labor Day period.

The calendar has been building up and indications are that prospective new offerings will continue to go into registration in the weeks ahead. Industry does not show any signs of tapering off sharply in its contemplated expenditures for new plant and equipment, though there has been some levelling out.

And while this expansion holds its current pace, corporations must come into the market for funds, especially those which are regulated and, unlike some of their counterparts, cannot raise the bulk of such needs internally, that is from earnings.

Pending the Fall revival, however, underwriters will enjoy the opportunity of clearing away such bits and pieces as remain around from recent offerings. And in the tax-exempt field, the backlog appears considerable.

Stepping Up the Date

Presumably with a view to avoiding any probable congestion at the time, Consumers Power Co. has decided to step up its projected offering of $35 million of first mortgage bonds.

The company originally had set Oct. 21 as the date for the opening of bids for the bonds. But it has now been decided to bring the issue to market almost a full month ahead of that date, or on Sept. 23.

This is something of a switch on the recent behavior of corporate borrowers. Only a short spell back, with the investor demanding ever mounting yields on new offerings, the tendency had been to set back offerings in the hope of profiting by a change in the market picture.

Big Convertible Due

With only two or three corporate offerings in prospect next week, the largest piece of business in sight is the projected offering by J. Ray McDermott & Co., Inc., of $20,292,000 of convertible debentures.

Books are due to open Tuesday for holders of record at the close of business that day. Rights will expire Aug. 20 and the offering is being underwritten.

The following day will bring public offering, via the negotiated route, of an issue of $6 million of preferred stock of the Indianapolis Power & Light Co.

Away From New York

People outside New York are reportedly looking upon present conditions in the fixed term securities market as an unusual opportunity. This is the view of a bond man just back from a swing around the eastern half of the country.

He found real interest in the bond market in these areas, with the current trend away from equities, at least for the moment, and toward debt securities of corporations.

Meanwhile, it was reported that pre-offering inquiry for the Associates Investment Co.'s new debentures appeared brisk.

Underwriting Costs Analyzed by SEC

Securities and Exchange Commission study permits comparisons of flotation costs of registered, privately placed, and other exempt corporate security issues. Costs are found to continue past differential pattern of lower costs for debt and preferred stocks as against higher common stock costs. Latter is not helped by heavier composition of small issues and companies in the manufacturing and mining category.

A survey of the cost of flotation has just been released of securities offered during the years 1951, 1953 and 1955 has just been released by the Securities and Exchange Commission. The study covers registered issues offered through investment bankers during the period, as well as privately-placed issues, and other exempt corporate offerings. Cost data are classified according to size of issue, size of company, industry of issuer, and type of security, and comparative figures for earlier years are presented.

According to the report, the traditional pattern of lower costs for debt and preferred stock issues, as compared with common stock financing, continued in the period of the survey. Higher total costs for common stock primarily reflect higher compensation rates usually paid for common stocks, as compared with preferred stock and debt issues. For registered issues, compensation absorbs, on the average, 85% of the total cost for common stock, 75% for preferred, and 55% for debt issues.

Registered Debt and Equity Issues

For registered debt issues total costs ranged from 1.2% of gross proceeds for largest-size issues to 11.5% for smallest-size flotations. Costs were lowest for issues of communication companies and for electric, gas and water companies and highest for mining firms. Costs averaged considerably less than 1.5% for companies with assets over $100 million in contrast to 10% for companies with assets under $5 million.

Of the registered common stock issues offered to the general public by investment bankers, costs for mining company issues ranged from 15.6% for the largest-size group to 33.4% for the smallest-sized issues. Costs for manufacturing companies were about half as much, and for electric, gas and water companies, about one-third as much. Over three-fourths of the common stock issues included in the survey were under $5 million in size.

The tendency toward higher costs for common stock issues was evident regardless of industry or size of issuer or size of the flotation. In comparing costs in aggregate, however, the extent of the difference was emphasized because the debt and preferred stock financing was comprised to a large extent of utility company issues, and large issues of large companies, which generally have lower distribution expenses. Although utility issues also accounted for a substantial dollar amount of common stock flotations, manufacturing and mining company common stock issues were more important in number. As there were more small issues and small companies in the manufacturing and mining company category, average cost of common stock financing was considerably higher than for debt and preferred stock financing.

Except for small issues which had higher expenses, costs of registered issues sold through investment bankers to the general public did not change significantly as between the years 1945-1949 (the last period studied) and 1951, 1953 and 1955. Higher costs for small common stock issues were attributed to the larger number of mining issues included in the present survey.

Private Placements

As explained in the report, total costs of issuing private placements are not comparable to total costs of registered issues because certain services and costs are not present. The services of investment bankers were used in only half of all private placements of debt issues. Agents' services were employed more frequently in large, than in small, issues and fees for such services ranged from 0.2% of gross proceeds for largest issues to 1.9% for smallest issues, with the median fee at 0.8%. Rates of compensation were lower for large companies and were lower for electric, gas and water companies than other companies. Other expenses averaged 0.4%; such expenses were higher for utility issues than issues of other firms, in contrast to lower rates of compensation in the utilities group.

In the case of equity issues placed privately, which comprised approximately 3.5% of all direct placements, agents were used more frequently than in debt issues, and the cost of flotation was higher. Compensation averaged 1% and other expenses 0.35%.

As compared with the years 1947-1949-1950, the previous period for which figures on costs of selling private placements are available, there was no significant change in compensation rates, but other expenses were slightly higher.

The report also points out that the present analysis of cost data, as well as past studies, shows that costs of flotation vary because of type of security, size of offering, and size and industry of the issuer. For this reason, although overall averages are presented in the survey, the detailed tables accompanying the report should be consulted for comparing costs of specific issues.

Footnote: The full report, entitled "Cost of Flotation of Corporate Securities, 1951, 1953 and 1955," is available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—price 45 cents.

Keizer Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — Lewis T. Thornburn has been added to the staff of Keizer & Co., Inc., 19 Congress Street. Mr. Thornburn was formerly with Preston, Moss & Co. and Chace, Whiteside, West & Winslow.

Joins Jesse Wood

(Special to The Financial Chronicle)

WARRINGTON, Fla.—B. A. M. McConnell has joined the staff of Jesse Wood, Jr., 542 South Barrancas Avenue.

Joins Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill.—Hugh R. Beath has become connected with Hornblower & Weeks, 134 South La Salle Street.

With Leason Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert T. Bolin has become connected with Leason & Co., Inc., 39 South La Salle St.

With Eldredge, Tallman

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harold Fefferman has become affiliated with Eldredge, Tallman & Co., 231 South La Salle Street.

But Why Go Begging To Washington?

"We need a program that would put a prepared teacher in every classroom. Any child who does not have a good teacher is being short-changed as to his right to an education. Yet we have allowed teachers' salaries to play tag with the average wage paid workers in general during the past 10 years. There is no teacher shortage today which an adequate level of teacher compensation would not correct in a few years.

"That we have plenty of economic capacity to finance schools adequately is generally recognized by economists."—Prof. John K. Norton, Teachers College, Columbia University.

We are prepared to go further and to say that there is no state in the union which is not financially able to provide ample educational facilities for its children.

Why then bring the Federal Government into a situation far better left to local direction?

Investment Opportunities in Latin America

Many opportunities in Latin America are found to be still open for American investors according to a recent study by the United States Inter-American Council which reports investments at an all-time high. The Council avers private enterprise is superior to government planning and operation, and that it asks for no unfair advantage but seeks only the opportunity to produce mutual benefit for its shareholders and for the people of the host country. Warns that an attractive, conducive economic atmosphere is predicated on fair and non-discriminatory treatment.

Direct investment of United States business in Latin America is today at an all-time high—in excess of $7 billion—according to a study released by the United States Inter-American Council concurrent with opening of the VIII Plenary Meeting of its parent today, the Inter-American Council of Commerce and Production held in Buenos Aires, Argentina, July 15 through 19.

This amount is more than double the total of all loans and credits received from all foreign governmental and intergovernmental credit institutions, according to the Council, and points up a trend which has witnessed increase in value of these investments over the past decade from about $3 billion in 1946 to over $7 billion at the end of 1956. Late indications, the Council adds, are that this trend of investment and reinvestment is continuing at a record pace.

Despite this tremendous increase in investment activity, the Council says countless opportunities for productive investment are still to be found throughout Latin America and await only the encouragement of friendly governments and the initiative of alert private business management for their speedy development.

The Council's study is based in large part on a recent analysis by the United States Department of Commerce on "The Role of United States Investments in the Latin American Economy." This analysis, based on the year 1955, recapitulates information obtained from 300 parent United States companies covering nearly 1,000 subsidiaries and branches in Latin America. This group represents about 85% of total assets employed by United States private investors in Latin America.

Benefits to Latin America

Total sales of these companies for 1955 were $4.9 billion, and represented 10% of Latin America's gross domestic product. Exports by these companies accounted for 30% of all Latin American exports; and foreign exchange inflow to Latin America from these exports plus capital flow from the United States totaled $2.3 billion. Foreign exchange used for all purposes by the companies totaled only $1.3 billion. In an age when a favorable trade balance is of such vital importance to Latin America, this production of foreign exchange twice the amount of foreign exchange used is a most significant contribution to the Latin American economy.

Sales by the United States companies in local markets of Latin America totaled another $2.5 billion, and it is fair to assume that at least some portion of these goods would have had to be imported, using precious foreign exchange, were it not for the activities of the United States companies.

Local Expenditures Raise Living Standards

Local expenditure of over $4 billion by these companies in 1955 for wages and salaries to employees, taxes and other payments to local government, materials and supplies, interest and dividends, and miscellaneous payments accounted for a considerable portion of the incomes in Latin America, according to the study.

Almost $1 billion in salaries and wages paid to 600,000 Latin American employees in 1955 is one of the most important items in terms of its impact on the economy and the living standards of the people. Average salary payment to this group was $1,600 in 1955, with variations from industry to industry and country to country.

It should be noted that non Latin Americans constitute only about 1½% of the total force employed by these firms. This fact reflects direct efforts to utilize services and talents of local citizens, and heavy concentration on training programs to help local workers assume greater responsibilities. Countless other examples of efforts by United States companies to develop the human resources along with the natural resources of Latin America could be cited.

For many years, according to the Council, these and other pertinent facts relating to the participation of foreign capital in various parts of the world's economy, and particularly in Latin America, have been scattered and incomplete. This circumstance has in many cases given rise to unfounded criticisms of free enterprise methods, often linked with advocacy of greater reliance on government for financing and administration of business activity.

Countering these views, however, the Council asserts: "One of the frequent weaknesses of government financed and administered programs is their lack of efficient business management with inevitable waste and diversion of funds to non-productive uses. Under private management, mistakes in management are revealed promptly, and the penalty is borne directly by the enterprise. Under government planning and operation, however, the people as a whole would bear the penalty."

Further, the Council states, "Private capital carries with it conscientious and industrious follow-through in management functions because it must meet the continuous and merciless challenging forces imposed by the free competitive system. Business conducted under these conditions demands—and receives — devoted attention to detail in production and marketing by men who stand to gain by high efficiency. In contrast, capital employed on the basis of centralized planning often tends to be operated routinely by managers with only a passive interest in efficiency."

The Future of Direct Investment

As to the future of direct investment, the Council concludes: "The future direct investment activity of United States free enterprise will be in direct relation to the existence of an economic atmosphere which is conducive to efficient and profitable business operations in Latin America. It will be predicated on fair and non-discriminatory treatment on the part of the governments of the host countries. A record of such treatment is the best possible guarantee that such investments will be made. The private United States investors represented in the United States Inter - American Council fully realize that they, in turn, must be prepared to accept their full obligations in this business partnership. They ask no unfair advantage and seek only the opportunity to so conduct their business as to produce mutual benefits for their shareholders and for the people of the country which has received them as its guests."

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Thomas J. Gartland is now affiliated with Dempsey-Tegeler & Co., 209 South La Salle Street. He was formerly with Kneeland & Co. and Link, Gorman & Co.

Hemphill, Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Herbert E. Tucker III is with Hemphill, Noyes & Co., 231 South La Salle Street.

CED Competition On Most Important Economic Problems of Next 20 Years

The Committee for Economic Development (CED) has announced a competition to find what the best informed opinion of the Free World regards as "the most important economic problem to be faced by the United States in the next 20 years."

Assisted by a grant from The Ford Foundation, the CED invited papers on the question as part of the observance of its 15th Anniversary.

Fifty prizes of $500 will be awarded to authors of papers submitted in competition and judged by CED's Research Advisory Board, a body comprising some of the country's most distinguished social scientists.

Additional awards of $500 will be made without competition to each of 50 outstanding scholars and leaders in public affairs for papers on the same question.

CED is composed of 150 leading businessmen and scholars who, working together, conduct research and formulate policy recommendations on major economic issues, and promote education on the operation of the American economy.

Donald K. David, Chairman of CED's Board of Trustees, expressed the hope that the competition would "contribute to the growth and stability of the whole Free World by focusing the attention and energies of the American people upon likely trouble spots beyond the immediate horizon."

He was pleased, he said, that the competition was not limited to Americans, but "calls as well upon the best minds of our friends and allies overseas."

"Because the economy of our country plays such an important role in maintaining and strengthening freedom throughout the world," he added, "its functioning and its future have become the concern of thoughtful citizens throughout the Free World."

"Out of their thinking," Chairman David asserted, "CED hopes to anticipate economic difficulties and find means to avert them while the situation is manageable."

Papers submitted in the competition must not exceed 2,000 words in length, must be typewritten in the English language on one side of the paper only, and mailed before Nov. 1 to Problems of U. S. Economic Development, Committee for Economic Development, 444 Madison Avenue, New York 22, New York.

CED urged prospective contestants to write for a copy of rules for the competition before undertaking a paper.

Members of the Research Advisory Board of the CED's Research and Policy Committee, who will judge the competition, are: Edward S. Mason, Dean of the Harvard Graduate School of Public Administration, Chairman; Theodore W. Schultz, Economics Professor, University of Chicago, Vice-Chairman; Richard M. Bissell, Jr., Washington, D. C., economist; Howard R. Bowen, President of Grinnell College; Douglass V. Brown, Professor of Industrial Management, Massachusetts Institute of Technology; Robert D. B. Calkins, President of The Brookings Institution; Solomon Fabricant, Director of Research of the National Bureau of Economic Research, Inc.; R. A. Gordon, Economics Professor, University of California; Don K. Price, Vice-President of The Ford Foundation; Arthur Smithies, Department of Economics of Harvard University; George J. Stigler, Political Science Faculty, Columbia University; and Henry Wallich of the Yale Economics Department.

Associate members of the Research Advisory Board are Roy Blough of the Columbia Graduate School of Business; Calvin B. Hoover, Chairman of the Duke University Economics Department; Jacob Viner, Economics Professor at Princeton; and Ralph A. Young, Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System.

Continued from page 2

The Security I Like Best

towers, and nuclear energy power plant equipment and research reactors. Many of the corporation's foreign contracts are designed, engineered and constructed in conjunction with foreign subsidiaries in Canada, England and France. About one-third of the orders are generated by foreign subsidiaries and carry with them a higher margin of profit than the U. S. contracts.

The backlog as of March 31, 1957 totalled $364,436,723, which was up from $198,379,477 a year before. The present backlog is impressive when measured against the 592,484 common shares outstanding. This works out to better than $615 of backlog per share, a tremendous leverage factor which makes possible a sizable increase in earnings for the remainder of the current year and 1958. For 1957, earnings are expected to better $5.00 a share, up sharply from $1.81 a share in the previous year when the steel strike interfered with the even flow of materials. Virtually all contracts now in force are protected by full escalation including higher steel costs which just became effective. Thin margin contracts bid on in late 1954 and 1955 affording little protection against rising costs have been largely completed.

Assuming Foster Wheeler's volume reaches the $200 million plateau and allowing for only a small increase in margins, it is not unreasonable to protect earnings in the neighborhood of $7-$8 a share in 1958, based on the present capitalization. With production starting to rise against increasing backlogs, the company has found it necessary to borrow $6,000,000 from banks on short-term notes to finance expanding inventories and, just recently, the company arranged a long-term loan of $2,000,000 with an insurance company to expand present facilities. The increasing volume obviously underlines the need for more working capital and, in this regard, equity financing at the end of 1957 or early 1958 seems a strong likelihood. Should the stock continue to reflect the favorable longer-range outlook, a rights offering to shareholders may be in the offing.

Foster Wheeler has the capacity to handle over $200,000,000 in billings a year. This compares with an annual rate of sales less than $130,000,000 on a straight line projection of first quarter 1957 volume. Obviously, the expansion at the Dansville and Mountaintop plants has placed Foster Wheeler in an excellent competitive position with such companies as Babcock & Wilcox and Combustion Engineering. At the Mountaintop plant a number of new machines have been installed for the manufacture of components for nuclear energy power plants. The company is currently selling such components to Consolidated Edison, Duquesne Light Co., and the government, keeping its foot in the atomic energy door. Besides nuclear power plant equipment, marine boilers for the merchant marine show excellent sales potential. New tanker construction began to increase in 1956 and has greatly accelerated since. The company has a contract for the main boiler and condensers for a second Navy aircraft carrier of the Forrestal class, The USS Constellation, and has built components for the highly successful atomic submarine, the Nautilus.

Conceding the cyclical nature of the company's business and the volatile swings in profits as a result, the common shares of Foster Wheeler, currently selling about 12 times indicated 1957 earnings, appear attractive for immediate capital appreciation where income is of secondary importance.

With P. de Rensis

(Special to The Financial Chronicle)

BOSTON, Mass.—Dante Ballerini is now with P. de Rensis & Co., 126 State Street.

FINANCIAL NOTICE

Austrian Government Guaranteed Loan 1923-1943

The Trustees of the Austrian Government Guaranteed Loan 1923-1943 refer to the announcement published by them on the 21st November 1935 in which they stated that they were aware of various legal proceedings which had been instituted by certain bondholders in Austria and elsewhere with regard to the payment of Bonds of the American issue containing a gold clause. They further stated that they desired it to be known that they would remain in office until further notice, and were retaining the securities provided under the General Bond and a portion of the Reserve Fund.

In view of the lapse of time since the earlier notice was published, and in view of the fact that all legal proceedings against the Obligor or the Trustees for payment of the Bonds on a gold basis have failed or been discontinued wherever instituted, the Trustees desire it to be known that they intend to return to the Austrian Government, as soon as the necessary arrangements can be completed, the balance of the Reserve Fund now held by them, whereupon the Trustees' term of service will have been completed.

For the Trustees of the Austrian Government Guaranteed Loan 1923-1943,

PIERRE MEYNIAL, Secretary,
14, Place Vendôme, Paris, France.

Dated: 31st of July, 1957.

DIVIDEND NOTICES

EATON MANUFACTURING COMPANY
CLEVELAND 10, OHIO

DIVIDEND No. 148

On July 26, 1957, the Board of Directors declared a dividend of seventy-five cents (75c) per share on the common shares of the Company, payable August 23, 1957, to shareholders of record at the close of business August 5, 1957.

R. G. HENGST, *Secretary*

EATON

Manufacturing plants in 15 cities, located in five states and Ontario

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Manufacturers of Ceramic Wall and Floor Tile

COMMON STOCK DIVIDENDS

Declared July 24, 1957

Cash: 15¢ per share
Payable August 30, 1957
Record Date August 16, 1957

Stock: 4%
Payable December 16, 1957
Record Date November 15, 1957

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 206
Common Dividend No. 196

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1957 and a dividend of 30¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1957 to holders of record September 6, 1957. The stock transfer books will remain open.

E. F. PAGE, *Secretary and Treasurer*

July 24, 1957

Allied Chemical

DIVIDEND

Quarterly dividend No. 146 of $.75 per share has been declared on the Common Stock of

ALLIED CHEMICAL & DYE CORPORATION

payable September 10, 1957, to stockholders of record at the close of business August 16, 1957.

RICHARD F. HANSEN
Secretary

July 30, 1957

Continuous Cash Dividends Have Been Paid Since Organization in 1920

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty-five cents per share payable on September 13, 1957 to stockholders of record at the close of business on August 9, 1957.

D. H. ALEXANDER
Secretary

July 24, 1957.

MIAMI COPPER COMPANY
61 Broadway, New York 6, N. Y.

July 24, 1957

A quarterly dividend of fifty (50¢) cents per share was declared, payable September 26, 1957, to stockholders of record at the close of business September 11, 1957.

JOHN G. GREENBURGH,
Treasurer.

NATIONAL SHIRT SHOPS
OF DELAWARE, INC.
DIVIDEND NO. 64

The Board of Directors declared a year end dividend of 10c per share in addition to the regular quarterly dividend of 20c per share on the common stock, both payable August 30, 1957 to stockholders of record August 20, 1957. Transfer books will not be closed.

SYLVAN COLE
Chairman of the Board

National Distillers and Chemical Corporation

ND U.S.I.

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock, payable on September 3, 1957, to stockholders of record on August 9, 1957. The transfer books will not close.

PAUL C. JAMESON

July 25, 1957. Treasurer

Delta AIR LINES

CASH DIVIDEND No. 40

The Board of Directors of Delta Air Lines, Inc. has declared a quarterly dividend of 30c per share on the capital stock of the company, payable September 3 to stockholders of record at the close of business August 15.

DELTA AIR LINES, INC.
General Offices: Atlanta, Ga.

DIVIDEND NOTICES

Schering CORPORATION

DIVIDEND No. 15

The Board of Directors has declared a regular quarterly dividend of Fifty cents ($0.50) a share on common stock payable August 19, 1957, to stockholders of record August 9, 1957.

M. J. FOX, Jr.
Vice President and Treasurer

Bloomfield, N. J.
July 23, 1957.

Mobil

SOCONY MOBIL OIL COMPANY INC.

Dividend No. 186

The Board of Directors on July 23, 1957 declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable September 10, 1957, to stockholders of record at the close of business August 2, 1957.

A. M. SHERWOOD, *Secretary*

PHELPS DODGE CORPORATION

The Board of Directors has declared a third quarter dividend of Seventy-five Cents (75¢) per share on the capital stock of this Corporation, payable September 10, 1957 to stockholders of record August 16, 1957.

M. W. URQUHART,
Treasurer.

July 31, 1957

Pullman Incorporated

360th Dividend and 91st Consecutive Year of Quarterly Cash Dividends

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on September 14, 1957, to stockholders of record August 23, 1957.

CHAMP CARRY
President

PULLMAN STANDARD CAR MANUFACTURING CO. Built by Pullman Standard

KELLOGG

TRAILMOBILE

DIVIDEND NOTICES

SUNRAY D-X PETROLEUM PRODUCTS

71st REGULAR DIVIDEND

The directors, on July 18, increased the Company's regular quarterly dividend (No. 71) to thirty-three (33) cents per share on its common stock, payable September 20 to shareholders of record August 8. This action raises the annual dividend rate 10 per cent to $1.32 per share as compared to $1.20 previously. The quarterly dividend (No. 9) on the 4½ per cent Cumulative Preferred Stock, Series A, at 28⅛th cents per share, and the quarterly dividend (No. 9) on the 5½ per cent Cumulative Convertible Second Preferred Stock, Series of 1955, at 41¼th cents per share, each will be paid on September 1 to shareholders of record August 8.

W. D. FORSTER, Secretary
July 18, 1957

SUNRAY MID-CONTINENT
Oil Company
SUNRAY BLDG. TULSA, OKLAHOMA

TEXACO

THE TEXAS COMPANY

220th

Consecutive Dividend

A regular quarterly dividend of fifty cents (50¢) per share on the Capital Stock of the Company has been declared this day, payable on September 10, 1957, to stockholders of record at the close of business on August 9, 1957.

The stock transfer books will remain open.

S. T. CROSSLAND
Vice President & Treasurer

July 26, 1957

UNION CARBIDE

A cash dividend of Ninety cents (90¢) per share on the outstanding capital stock of this Corporation has been declared, payable September 3, 1957 to stockholders of record at the close of business August 2, 1957.

BIRNY MASON, JR.
Vice-President and Secretary

UNION CARBIDE CORPORATION

YALE & TOWNE

Declares 278th Dividend

37½¢ a Share

On July 25, 1957, dividend No. 278 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on Oct. 1, 1957, to stockholders of record at the close of business Sept. 10, 1957.

Wm. H. MATHERS
Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1839

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Prediction by Secretary of Commerce Sinclair Weeks that 1957 will be the best year economically in the history of the United States came as no surprise to economists in the Nation's Capital.

Plant expansion and expenditures for tools and equipment have been running ahead of the corresponding period in 1956. While private housing is off, construction in this field is still heavy. The vast highway construction program is picking up each month.

With forecasts of another great year economically, there was renewed apprehension in Congress about the inflationary trends. Both Secretary Weeks and Congress warned that the new rise in living costs was bad for the country.

Representative Wright Patman, Chairman of the Joint Economic Committee, said his colleagues on the committee are greatly concerned at the continued price rise. As a result the Joint Economic Committee staff has been directed to blueprint a broad committee study of the factors affecting prices and price-making. The factors will be considered at a committee meeting in the early fall.

The Joint Economic Committee declared recently that inflation is a grave economic problem facing the American economy. Failure to deal with it forthrightly will result in increasing hardships for millions of people in this country.

Warn of Inflation Threat

The committee insisted that the rapid expansion of the Federal Government spending in recent years, on the heels of sharp increases in consumption and investment in the private economy channels are contributing factors to current inflationary conditions.

"Public policies must face up squarely to the problem of inflation," said the Joint Economic Committee. Restraining inflation never has been and never will be an easy job. It requires making hard decisions in public policies to contend with the problems which may become increasingly complex. The current difficulties in management of the Federal debt offer an impressive example. Demands for immediate and substantial tax reduction and for more freely available credit are others. Steady economic growth and stable prices, however, will not be achieved unless we are guided by appraisal of the findings of objective and dispassionate inquiries."

Soft Spots Cited

Chairman Wilbur D. Mills (Arkansas) of the Subcommittee on Fiscal Policy for the Joint Committee, reported that the economic outlook for the remainder of 1957 and early 1958 indicated continued increases in output and income. At the same time the subcommittee findings said "a number of soft spots in the economy emphasize the need for continuing alertness to possible changes in overall levels of economic activity which may require revisions in current public policies."

The Joint Committee maintains that in order to justify tax reductions under conditions of steady economic growth, more remains to be done by Congress and the executive branch of the government regarding spending during the 1958 fiscal year.

Thus far, Congress has been disappointing to many people in reducing spending. Notwithstanding the lack of reductions, members of Congress apparently believe that a dominant issue when Congress convenes in January will be taxes and the tax burdens.

The last tax cut was in 1954. Many people have written their Congressmen and have buttonholed him when he was back home, asking him to vote for tax cuts.

Seek Tax Analysis

With the Federal tax rates now almost as high as they were during World War II, there is growing talk of overhauling the Internal Revenue Code. Necessity for tax relief has been apparent for a long time, some members feel.

Current income taxes begin with a rate of 20% on incomes of $2,000 and under. However, the taxes run as high as 91%. The Federal estate tax now runs as high as 77%. The corporation tax is 52%.

There have been hundreds of bills introduced at this session that would reduce taxes or provide for tax exemptions in one form or another. The House Ways and Means Committee is currently having hearings on some phases of tax cuts, and is planning others during the Congressional recess during the late fall.

There is no chance of passage of a "gas bill" to remove controls from the Federal Power Commission and thus leave regulatory powers in the hands of the states, at this session. There are numerous members of the Senate and House who still maintain that President Eisenhower pulled the legislative rug from under them when he vetoed a somewhat similar bill a year ago.

Despite the fact that the postal pay-raise bill passed the House by the lopsided vote of 379 to 38 on a roll call vote recently, the measure appears to have less favorable chance of passage by the Senate, but it will be alive when Congress reconvenes in January. The House-passed bill would grant a $546 annual raise to more than 500,000 postal workers.

School Bill Killed

The narrow margin by which the House killed the bill authorizing $1.5 billion in Federal school construction money to states did not reveal the actual margin of opposition. Had the vote been on the direct issue instead of on a motion to strike the enacting clause, it would have been defeated by a substantially greater vote than the narrow 208 to 203 margin. A number of House members said that while they were opposed to the Eisenhower administration construction bill, they did not like the method by which it was dumped. Perhaps the proposal will be revived in 1958.

Prior to the strike in the cement industry, construction in the United States was moving ahead at another record pace. While private construction like houses, stores and churches, was off the first half of 1957, other lines of construction have been taking place at a record level, according to the Department of Commerce and the Labor Department.

Construction outlays for the first half of the year were at an annual rate of about $46.7 billion, compared with actual expenditures of $46.1 billion for all of 1956.

Despite the decline in private housing, the Commerce Department says reports show that private construction accounted for more than 70% of all new building during the first six months of this year.

Expect Freight Rate Increase

Indications are growing that the Interstate Commerce Commission will grant an increase in freight rates to the railroads, probably before Thanksgiving. Last December and earlier this year the Eastern, Southern and Western carriers were given an interim increase. Any future increase would be "over and above" the interim raise, qualified sources say.

Meantime, qualified people say the railroads have made a strong case for themselves relative to improved passenger equipment. The lines were summoned to the Nation's Capital several weeks ago to give a report to the Interstate Commerce Commission on what they have done to improve service and attempt to win back many former railway passengers who have taken to the airways.

ICC records show that the railroads chalked up a bookkeeping loss of $696.9 million in 1956, the second highest on record. The highest was $704.5 million in 1953. The lines last showed a profit during gasoline and tire rationing during World War II.

In the testimony now before the ICC, spokesmen for the railroad industry said the carriers have spent nearly $800 million for 8,894 new passenger cars and $600 million in passenger locomotives in the last 25 years.

Nevertheless, spokesmen said that had the investments not been made in new equipment, their losses would have been even greater. Peering into the future, spokesmen say that the vast new interstate highway program, plus the expanded airlines and more new airports, the railway passenger business is not bright despite the tremendous population growth.

The question remains: Would the railroads be better or worse off if they abandoned passenger service? The tracks, the stations, and many employees would still have to be kept for the normal freight train operation.

Subsidize Passenger Service?

The question has been raised on Capitol Hill whether or not that the passenger trains should be subsidized from tax funds like airplanes and steamship lines. Ernest C. Nickerson, the New York Central's Vice-President in charge of passenger sales and service, pointed out to the ICC that the public has "learned to accept subsidy from the government in the case of some other forms of transportation." He added that railroad passenger service is subsidized now from the freight shipper or the railroad investor.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"I think the boss is cracking up—I asked him for a cut in the profits and he told me to do this!"

Business Man's Bookshelf

Charting Steel's Progress — A Graphic Facts Book on the Iron and Steel Industry — American Iron and Steel Institute, 150 East 42nd Street, New York 17, N. Y.—(Paper)—Single copies on request, additional copies 50c each

Economic Development of Jordan —International Bank for Reconstruction and Development —The Johns Hopkins Press, Homewood, Baltimore 18, Md.—(Cloth)—$7.50.

Encyclopedia of American Associations — With Supplements — Gale Research Company, Book Tower, Detroit 26, Mich.— $15.

Federal Labor Laws and Agencies —U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—40c.

Film Library Catalogue—List of 16-mm. sound films available for free showing industrial, commercial and business organizations, schools, women's clubs, church societies, labor bodies, service clubs, fraternal organizations and other responsible groups—New York State Department of Commerce, 112 State Street, Albany 7, N. Y.

National Security and Foreign Policy in the Application of American Antitrust Laws to Commerce With Foreign Nations — Association of the Bar of the City of New York, 42 West 44th Street, New York, N. Y.—(Cloth).

Nuclear-Atomic Economic Survey —On high-energy "exotic fuels and high-temperature metals— Nuclear-Atomic Economic Survey, 101 Park Avenue, New York 17, N. Y.—$5.

Pick's Currency Yearbook—Franz Pick Publishing Corporation, New York 6, N. Y.—(Cloth)— $35.

Tips to Typists — Smith-Corona, Inc., 701 East Washington Street, Syracuse, 1, N. Y. — (Paper) — On request.

Your Buying Guide to Mutual Funds and Investment Companies—Leo Barnes—American Research Council, Larchmont, N. Y.—(Paper)—$3.95.